LEGISLATION, POLICIES & PROCEDURES ON LOG EXPORTS FROM BRITISH COLUMBIA

REPORT OF
SPECIAL LOG EXPORT POLICY COMMITTEE

JULY 1983

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July 6, 1983

Hon. T.M. Waterland
Minister of Forests
Province of British Columbia
Parliament Buildings
Victoria, B.C.
V8V 1X4

Dear Mr. Minister:

Special Log Export Policy Committee

We submit the attached as the Report of the Special Log Export Policy Committee, appointed March 23, 1983.

Yours truly,

James T. Trebett (Chairman)

Richmond C. Scarrow

Richard Campbell

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SUMMARY AND RECOMMENDATIONS

For over 80 years it has been public policy in British Columbia that logs produced from timber cut from Crown land and much private land shall be manufactured in the Province into such finished products as lumber, plywood, pulp and paper, unless a special exemption is granted by the Government. An exemption may be granted if one of three criteria are met: the logs are surplus to the needs of domestic mills; the logs are produced in a remote area and cannot be transported economically to a domestic mill; or export of the logs will avoid waste or improve the utilization of the resource.

Controversy over the administration of these exemption provisions led to the appointment of the Special Log Export Policy Committee. Log exports from the Province account for a minor fraction of total harvest, ranging from 0.2 to 2.6 percent over the past twenty years. With severely depressed markets in 1982, however, some domestic forest companies exported significant volumes of logs on lucrative Chinese and Japanese markets in order to improve their financial performance.

Exports in 1982 accounted for 2.3 percent of Provincial harvest. This was not a record level, but was high in comparison with recent years. Nevertheless, with widespread unemployment in domestic milling, some interests in the industry have contended that log exports have adversely affected domestic mills, overseas final product markets and employment opportunities in the Province.

Conclusions

The Terms of Reference of this Committee instruct us to examine the effects of log exports on domestic log supplies, on overseas markets for manufactured products and on employment in the Province. Further, we have been asked to report on the

administrative procedures that are used to implement Government log export policy.

This Committee's findings can be summarized as follows:

1. Restrictions on log exports tend to favour domestic mills, at the expense of market loggers, timber owners and Provincial Crown stumpage revenue.

2. Log exports always have the potential for affecting log supplies to domestic mills. During 1982, however, markets for many finished products were so weak that prevailing log prices were lower than the costs of producing them. In these instances log exports did not deprive domestic mills of log supplies in the short term because, in the absence of export markets, much logging would not have occurred at all. However, in the long term, exports of high quality species will constrain future milling opportunities for them.

3. It is doubtful that log exports adversely affect overseas markets for British Columbia's finished forest products. The Province's contributions to offshore log markets is small in relation to other suppliers'. Further restrictions on log exports would not necessarily lead to greater sales of finished products, as export log customers can readily obtain the logs elsewhere. Increased log exports will not necessarily lead to reduced sales of finished products.

4. Log export restrictions always have the potential for reducing employment in logging. They do not reduce employment in milling during severly depressed markets when mills are unable to cover their

operating costs, and these circumstances prevailed for many old and inefficient operations in 1982. Log exports actually increased over-all employment in 1982, because without exports unemployment in logging would have been higher. However, log exports have the potential for reducing employment in milling during normal markets where the financial returns for exporting logs exceed those in milling.

5. Some exports will be necessary as a safety valve for short term log surpluses, to dispose of logs that cannot be supplied economically to domestic mills, and to prevent waste or improve timber utilization.

6. Recently some forest companies have contrived surpluses of logs by producing them specifically for the export market in volumes that were too large to be absorbed by domestic mills. A weakness in Government export procedures has permitted this to occur.

7. The log export provisions of the Forest Act are generally sound.

8. The Provincial Log Export Advisory Committee ("LEAC") is too-large and representation on it is weighted too heavily in favour of integrated companies.

9. Some features of Government log export administration are cumbersome and cause unnecessary delays in log exports.

10. Current administrative procedures for low value hardwood logs have the potential for impeding the removal of these species.

11. The method for calculating the fee charged by the

Province for log exports is illogical.

Recommendations

This Committee formulated 47 recommendations aimed at improving log export administration by the Provincial Government. A complete reproduction of the recommendations is attached to this summary. Their major features are as follows:

- Retention of the present log export provisions of the Forest Act, with minor amendments.
- Reducing the size of LEAC from 17 to 9 members, and restructuring it to provide more balanced representation.
- Streamlining Ministry of Forests log export procedures.
- Tightening log export administration, to prevent companies from contriving domestic log surpluses and obtaining permission to export beyond acceptable levels.
- Use of log exports on a limited scale in extremely depressed markets to prevent the collapse of isolated communities.
- A review of Ministry of Forests minimum standards for log manufacture and their enforcement.
- Changes to export procedures for hardwood logs, to ensure that removal of these species is not hindered.
- Modifications to the Province's log export fee, to return to the Crown up to half of premiums received from log export.

LIST OF RECOMMENDATIONS

Legislative Framework

1. The criteria for log export in the Forest Act should be retained substantially intact. The sale of manufactured products into foreign markets should not become a legitimate criterion for log export.

2. Section 136(3)(c) of the Forest Act should be amended by deleting the words "cut from Crown land".

3. Section 137(b) of the Forest Act should be amended to enable the Regional Manager to delegate the issuance of final export permits to "a forest officer authorized by him", once an exemption has been granted by the Minister or Lieutenant Governor in Council.

Structure and Terms of Reference of Log Export Advisory Committee ("LEAC")

4. LEAC should consist of nine voting members, appointed as follows:

Integrated coastal companies	2
Independent coastal shake & shingle	1
Independent coastal sawmills	1
Coastal market loggers	1
Organized labour	1
Log exporters	1
Interior sawmilling	1
Interior market loggers	1
TOTAL	9

Each member should have an alternate.

5. LEAC should continue to be chaired by a non-voting official from the Vancouver Regional Office of the Ministry of Forests, for applications that require Provincial exemption. The Vancouver Region Export Co-ordinator should serve as the non-voting Secretary of LEAC.

6. A representative of the Federal Department of Industry, Trade and Commerce and Ministry of Forests support staff should sit as observers on LEAC.

7. LEAC should have no non-voting members besides the Chairman and the Secretary.

8. The appointment of the Interior sawmilling representative should be rotated among the Interior sawmilling

industry associations, and the appointment of the Interior market logging representative should be rotated among Interior independent logging associations.

9. The Minister should appoint an Interior Sub-Committee of LEAC, to be chaired alternately by the Interior sawmill and market logging representatives. Membership of the Sub-Committee should consist of representatives of all Interior sawmill and logging associations. Sub-Committee members should be eligible to attend LEAC meetings as observers and the Sub-Committee Chairman should consult the Sub-Committee with respect to Interior log export applications. The decision of the Interior Sub-Committee should be adopted as LEAC's recommendations for Interior applications.

10. All representatives appointed from industry should be fully knowledgeable about log markets and log market prices.

11. The Deputy Minister should refer LEAC's Terms of Reference to the newly structured LEAC, for the purpose of reviewing such matters as meeting times, replacement of members, quorum, distribution of minutes, and LEAC functions in light of other recommendations in this Report.

Administrative Procedures - Ministry of Forests

12. The draft provincial procedures manual for handling log exports should be revised where necessary, completed and issued to each Region of the Ministry of Forests, with instructions to implement it. The manual should be available for public information.

13. Each Region should keep the necessary records to pinpoint problems in log export administration. These new records will include cut and export volume records for exporting firms, species and grade information by country of destination of log exports, and export prices (recommended below). It is not expected that these requirements will add to the administrative workload, as long as modern recording and retrieval systems are employed.

14. Applications on which no offers are received should not be considered by LEAC but should be forwarded directly to the Victoria valuation section of Ministry of Forests for documentation and for granting of exemption. All such applications should be listed in detail on the agenda for each LEAC meeting for information purposes. This will speed up

the exemption process for surplus logs, eliminate an unnecessary step in the process, and allow LEAC's meeting time to be more effectively employed.

15. The Ministry of Forests should permit an application for exemption that is based on industrial scale to be submitted to Victoria for processing, providing the industrial scale has been carried out in metric units by a qualified licensed scaler.

16. The Ministry of Forests, in consultation with LEAC, should establish by list or on a map the areas to be considered as "remote", for the purposes of minimum volume requirements for advertising.

17. Ministry of Forests staff should carry out occasional inspection of logs being exported to United States ports via tug and boom tows.

18. The fee in lieu of manufacture for logs exported should be billed prior to export.

19. The document known as F.S. 38 should be modified to provide for log exporters to report actual log export sale prices under oath.

20. The document known as F.S. 418 should be amended to permit cumulative log exports and previous calendar year timber harvests of exporting firms to be reported.

Minimum Manufacture

21. A study group should be appointed to determine the extent that minimal log manufacture is being carried on within the Province, whether adequate export inspections are being carried out in the field, and whether special exemption procedures should be formulated for partially manufactured products.

Criteria for Log Export

- Log Surplus Criterion

22. To demonstrate log surplus, log export applicants should be required to advertise the logs for sale on the domestic market and LEAC should apply its current requirements in assessing offers. However, these procedures should be supplemented according to recommendations 23 to 26, to avoid contrived log surpluses.

23. Where the cumulative volume of logs exported under the log surplus criterion in any twelve consecutive

months by an applicant for log export exceeds
(a) 1 percent of the total volume the applicant has harvested in the Province from all Crown and private land (including early Crown-grants) during the previous calendar year, or
(b) 10,000 m^3,
whichever is greater, the applicant should be invited to appear before LEAC to explain the reasons for the log surplus.

24. LEAC should not recommend that an exemption to export the logs be granted unless the applicant is able to satisfy LEAC that the log surplus could not reasonably have been avoided.

25. For administering this procedure, log export applicants should be required to disclose their log exports over the 12 month period and their total log production over the previous calendar year, in their initial applications on form F.S. 418. Where an export applicant is acting as an agent or broker for some other party who actually owns the logs, the applicant should be required to disclose the identity of the log owner and the relevant information about the owner's log exports and log production. The calculations in recommendation 23 should be carried out for the log owner instead of the applicant.

26. The Provincial Government should encourage the Federal Department of Industry, Trade and Commerce to adopt these procedures for log export applications that require only Federal approval, so that the same rules will apply regardless of the source of the logs.

27. Log export applicants and domestic log buyers should have the opportunity to meet with LEAC to present their grievances about log export applications and offers. LEAC should attempt to resolve such disputes.

- <u>"Uneconomic Wood" Criterion</u>

28. When prolonged depressed final product markets cannot carry the costs of logging operations near isolated communities that are heavily dependent on logging as a source of employment, the Government should permit log exports as a means for preventing serious economic hardships to the communities.

29. The decision whether or not to permit such log exports should not be referred to or made by LEAC, but by a special Government ad hoc task force reporting to the Provincial Cabinet or a Cabinet Committee.

30. Log exports under these circumstances should focus on the survival of the communities, not on the financial circumstances of individual forest products companies. The task force should examine the condition of the local economies individually, to identify those that are in most urgent need.

31. The volumes of timber approved for export should be sufficient to sustain employment at basic levels, to ensure the continued survival of the communities. An aggregate export volume should be determined for a Forest District, and eligibility to export the aggregate volume should be prorated among holders of Crown forest tenures according to their allowable annual cuts in the District.

32. Permits to export under these circumstances should have terms of no longer than a year, and the task force should monitor the local economic conditions to ensure that the export program is discontinued when it is no longer needed.

33. The "uneconomic wood" criterion for log export should continue to be available for timber adjacent to Provincial boundaries that cannot feasibly be transported to domestic mills.

- <u>"Avoidance of Waste or Improved Utilization" Criterion</u>

34. The "avoidance of waste or improved utilization" criterion should continue to be available to permit log export under appropriate circumstances.

35. In remote areas of the Province where transportation and sale to domestic mills would render harvesting uneconomic, exemption of manufacture in the Province of diseased or infested timber, hardwoods, or decadent timber should be granted without advertising and without the need for the applicant to satisfy the "surplus" criterion. Such applications should not be referred to LEAC with respect to surplus, but if the Ministry of Forests is doubtful about the economics of the proposed harvesting operation it should refer that question to LEAC for its assessment. If LEAC determines that the logs could be harvested economically for domestic mills, the application should be advertised under recommendation 36 below.

36. If all or some species and grades of such timber can be harvested economically for domestic mills, the log export applicant should be required to advertise these logs for sale and satisfy the "surplus" criterion. Applications on which offers are made should be referred to LEAC in the normal manner.

Forms of Exemption

37. Standing green export exemptions should be granted in the Interior, regardless of the criterion that is met to approve the export application. Exemptions for harvested logs should be available in the Interior as well.

38. On the Coast, standing green exemptions should not be issued where the log "surplus" criterion must be met, either by itself or in conjunction with the "prevention of waste or improved utilization" criterion.

39. Where either the "uneconomic wood" or "prevention of waste or improved utilization" criterion alone is used on the Coast to support log export, standing green exemptions should be available.

40. Blanket exemptions should continue to be available for low value species in stands located in remote areas.

Hardwoods

41. Where the log surplus criterion is to be met for the export of hardwood logs and an offer for the logs is made by a mill that is not located in the vicinity of the nearest available log dump or booming area where the logs are produced, LEAC should recommend that exemption be granted unless the offer is equal to at least the total of
    (a) the going rate then paid by the mill for hardwood logs produced in the vicinity of the mill, and
    (b) the cost of delivering the logs to the mill from such log dump or booming ground.

    However, if this total is less than LEAC's estimate of the applicant's logging and delivery costs, including a reasonable profit, LEAC nevertheless should recommend that exemption be granted. As well, in assessing the reasonableness of the offer, LEAC should consider the log specifications for the prices offered by the mill in relation to the log specifications stipulated in the export market.

42. These procedures should apply to applications for both harvested and standing green exemptions for hardwood export, where the log surplus criterion is to be met.

Fee in Lieu of Manufacture

43. The fee in lieu of manufacture should be calculated as a percentage of the difference between average

prices obtained from the export of logs from the Province (by species and grade) and average logging costs.

44. The export price used to calculate the fee in any month for a species and grade should be the average export price reported for the species and grade during the previous month. Reporting requirements are recommended below.

45. The average logging costs should be determined annually for each Forest Region and should apply during the following year with an appropriate adjustment to account for anticipated cost escalation in the following year.

46. The Ministry of Forests immediately should require all export applicants to report under oath the prices they receive for logs to be exported, on form F.S. 38, prior to final export approval.

47. After this information has been collected for six months, the Ministry should set an appropriate percentage for the fee after analysing the relationship between export log prices, domestic logging costs, average stumpage rates and the operating and administrative costs of preparing logs for export. We recommend that the fraction be set at 50 percent Province-wide, unless the Ministry's analysis discloses that 50 percent would be too high to compensate an exporter for these costs and stumpage, and leave a reasonable profit.

1. INTRODUCTION

The Special Log Export Policy Committee was appointed by the Hon. Minister of Forests on March 23, 1983. The Committee consists of the following:

James T. Trebett, Forestry Consultant, Nanaimo, (Chairman);
Richmond C. Scarrow, Valuation Officer, Ministry of Forests, Vancouver Region, Vancouver; and
Richard Campbell, Barrister and Solicitor, Vancouver.

While the export of manufactured logs from British Columbia has been restricted over the past 82 years, Provincial policies have been modified from time to time. Recently log exports have increased significantly over previous levels, leading to expressions of concern by some sectors in the forest industry. The Special Log Export Policy Committee was appointed to review current Provincial Government policies and procedures.

Committee's Terms of Reference

This Committee's Terms of Reference are attached as Appendix I to this Report. They direct the Committee to examine the implications of current levels of log exports on domestic log supplies, overseas markets for finished forest products and on employment in the Province, and to assess the implications of current log export restrictions on the health and vigour of the domestic timber processing industry.

The general thrust of Provincial log export policy is found in the Forest Act, and our Terms of Reference instruct us to report on the effectiveness of Government procedures in implementing the policy. Finally, for decades the Government has relied on the advice of the Log Export Advisory Committee ("LEAC"), and we have been directed to examine its terms of reference, structure and operation.

Committee Procedures

Log exports affect the full range of interests in the forest industry of the Province, involving complex relationships between foreign and domestic log and final product prices and markets, domestic logging and milling costs, the concerns of organized labour, and Provincial Government timber utilization, Crown revenue and other objectives. In order to appreciate the problems and concerns of those interested in log export policy, soon after our appointment we held a series of meetings with representatives of Coastal and Interior forest industry associations, integrated companies, log exporters, market loggers, independent mills and the major forest industry unions. A list of these Participants is attached as Appendix II to this Report. These meetings were held with each group individually. Participants were encouraged to present their views freely and openly, and they were assured by this Committee that we would receive their positions in confidence. Participants reacted quickly to the demands of this Committee's timetable and their submissions provided valuable assistance.

Copies of the thirty-seven written submissions of the Participants are bound separately from this Report. We urge the Government to respect their confidentiality in keeping with the spirit in which they were presented.

Additional Information

In conjunction with the appointment of this Committee, the Ministry of Forests provided us with a package of background resource material that included the relevant sections of the Forest Act, the Terms of Reference and structure of LEAC and a set of procedures and forms used in obtaining approval for log export.

As we met with Participants from industry and, following the meetings as we prepared this Report, we found the

need to obtain additional information concerning trends in log exports, markets and log export procedures. This Committee is grateful for the cooperation and assistance of the Ministry of Forests, industry associations and individual companies in providing required information. However, important data on some aspects of log exports were unavailable, constraining our ability to reach firm conclusions about some issues in our Terms of Reference. In some of these areas our recommendations include improved data collection and compilation procedures by the Ministry, to permit more informed decision-making in future.

2. BACKGROUND

Provincial forest policy in one form or another has restricted log exports for many decades. Before turning to the findings required by our Terms of Reference, we will trace their evolution and describe the current legislative and procedural framework.

Evolution of Policies and Procedures

Provincial log export policy has its roots in legislation passed just after the turn of the Century. Over the years, the legislation has been refined from time to time, and since the very early days the Government has sought the advice of LEAC in applying the policy. This section deals with the development of both Provincial and Federal policies and the advisory process.

Provincial Policy. Prior to a 1901 amendment to the Land Act, which at that time contained provincial forest policy as well as procedures for the disposition of Crown land, logs could be exported from the Province without restriction. In 1901 the Act required all timber cut from Crown land to be manufactured in the Province, and the legislation set out no exemption procedures. Logs cut from Crown-granted land still could be exported without restriction.

The 1906 Timber Manufacture Act was the first legislation aimed at logs produced from both Crown and Crown-granted land. It provided that "all timber cut from ungranted lands or from lands hereafter (March 12, 1906) granted shall be used in the Province or manufactured in the Province into boards, deals, joists, lath, shingles or other sawn lumber." There was no mention initially of pulp or paper as manufactured products and still no provision for exemption. This restriction applied to the Coast only; any logs produced in the Interior were freely exportable. The 1906 cut-off date excluded from

the restriction logs produced from early Crown grants, including the large tract of south-eastern Vancouver Island that had been alienated to the E & N Railway Company.

The first exemption provision was enacted in a 1909 amendment to the Timber Manufacture Act, where the Lieutenant Governor in Council was authorized to permit the export of a limited range of products: piles, poles, ties and cribbing timber.

The first Forest Act was passed in 1912, containing provisions that had appeared previously in the Timber Manufacture Act and the Land Act. By this time the export restrictions applied Province-wide, not only on the Coast, and a tax was introduced to indirectly encourage owners of early Crown-granted land to manufacture their timber in the Province. The tax was payable on all logs produced from these lands, but all except a nominal amount was refundable if the logs were manufactured in the Province. This provision survived in the legislation until 1930, when it was declared by the courts to be beyond the constitutional authority of the Provincial Legislature.

In 1913, "pulpwood" was added to the list of unmanufactured products that the Lieutenant Governor in Council could authorize for export. Then, in 1916, the Lieutenant Governor in Council's authority to authorize exemption was broadened substantially in two ways. First, timber could be exempted if it were adjacent to provincial boundaries and, due to topographical reasons, could not be manufactured profitably in the Province. Second, any timber could be exempted for the duration of the First World War. (About this time the first LEAC was struck, apparently to provide advice to the Government with respect to war-time log exports.) This general exemption procedure was extended after the war for successive intervals until 1964, when finally it became permanent.

Pulp and paper were added as manufactured products in 1923, reflecting, belatedly, the emergence of these industries in the Province. Ten years later chips and hog fuel were added as specific products that could qualify for export, and during World War II special provisions allowed pit props and mining timbers to be exported to Great Britain. Forest Management Licences (later re-named Tree Farm Licences) were introduced in 1947 amendments to the Forest Act, and timber cut even from early Crown-granted land included in these tenures was required to be manufactured in the Province.

The Province has historically collected a fee from successful export applicants. Before 1974 the amount was nominal, but that year it was increased substantially for high value species. Known informally as the "timber tax", this "fee in lieu of manufacture" is now calculated according to a formula based on stumpage rates and logging costs for most exported logs.

These provisions remained largely unchanged until the Forest Act was repealed and replaced, effective January 1, 1979. The current legislative framework for log export is reproduced in Appendix III and is summarized later in this Report.

Federal Policy Development. The Federal Parliament has limited jurisdiction over timber harvesting activities in the Province because of the preponderance of Provincial forest land ownership. Nevertheless, Parliament has exclusive jurisdiction over foreign trade, and through this means is able to exercise control over log exports from Canada independently from the Province.

During World War II, log exports to foreign countries required Federal permits under the Export and Import Permits Act, which was aimed at restricting trade with the enemy. These provisions remained in place following the war, but for many

years Federal permits were issued without restriction for log exports that had obtained a Provincial exemption and those, such as early Crown-grants and Indian Reserves, that were freely exportable under Provincial policy. The Federal Government's approach to its legislation changed in 1969, however, when the Department of Industry, Trade and Commerce introduced restrictions to its permit system. For logs exported under Provincial exemptions the Department, as before, would issue permits as a matter of course. However, for logs cut from the early Crown-grants, Federal permits would be issued only on the recommendation of LEAC, which applied the same standards as for Provincial exemptions. Logs produced from Indian Reserves have continued to be freely exportable, as part of a Federal Government policy to assist natives in developing and marketing their timber. No fee is payable for Federal permits.

Summary The Provincial and Federal framework can be summarized as follows:

1. Both Provincial and Federal restrictions apply to logs exported out of Canada and produced from Provincial Crown land, from all Crown-granted land inside Tree Farm Licences, and from all other Crown-granted land except the early grants.

2. Only the Provincial restrictions apply to logs produced from the lands listed in item 1, where the logs are exported to other provinces or territories of Canada.

3. Only the Federal restrictions apply to logs produced from early Crown-granted lands that are not included in Tree Farm Licences, where the logs are exported out of Canada.

4. Logs produced from early Crown-grants, in theory at least, may be exported to other Canadian provinces or territories without the approval of either Government. However, the practical significance of this "loop-hole" is extremely small owing to the high costs of shipping logs to other Canadian

jurisdictions from the early Crown-grants.

5. Both Governments apply the same criteria to assess log export applications, through LEAC.

6. Exports that require a Provincial exemption attract a "fee in lieu of manufacture" whereas those requiring only Federal approval do not.

Log Export Advisory Committee. Ever since 1909, Provincial log export legislation has authorized the Government to exempt timber from log export restrictions. Although the scope for exemptions has changed over the years, starting in the early days the Government has sought advice of LEAC in assessing exemption applications.

Throughout, LEAC has been advisory only, with its decision taking the form of recommendations to the Government. The Lieutenant Governor in Council, and more recently the Minister of Forests and the Federal Department of Industry, Trade and Commerce, are free to act on a recommendation or reject it. Nevertheless, the authorities usually adopt these recommendations, so LEAC has become an important influence on the implementation of policy.

It appears that the first LEAC was struck during World War I, to assist the Provincial Government to assess domestic and allied timber requirements during the conflict. The earliest recorded minutes date from March 26, 1918. At that time LEAC met monthly and consisted of nine members: three each from lumber mills, loggers, and the Provincial Forest Service.

Following the war, LEAC continued to provide advice on log export applications. Minutes of meetings over the years disclose two themes. First, it is apparent that starting very early on LEAC had adopted a "surplus" criterion in assessing

applications. Only where LEAC was satisfied that logs were surplus to the requirements of domestic mills would export be recommended. Second, LEAC has not favoured "logging for export", through either the production of logs to meet export and not domestic specifications, or the persistent log production during low markets. The only exception to this stance appears to have occurred during the depression of the 1930's, when domestic manufacturers agreed that, once their needs were met, log exports should be permitted as a means for creating employment opportunities in the Province.

It is not clear how LEAC determined whether or not logs were surplus to domestic requirements in the early days. With a small industry confined to the lower Coast and Vancouver Island, representatives likely relied on their local knowledge of log inventories and the mills' requirements. During the 1950's LEAC initiated a more systematic procedure. Log export would be recommended if three domestic mills provided letters to the applicant indicating that they were not interested in buying the logs.

The "three refusals" approach was modified in 1960, with a requirement that the letters be issued by mills that actually used the species and grade of logs to be exported, and this was supplemented by a requirement that logs be available to domestic mills for at least 60 days prior to application. This period was reduced in 1969 to 30 days.

The "three refusals" approach was abandoned entirely for softwood species in 1975, to meet concerns that mills that actually required the export logs were being circumvented by applicants. Accordingly, in 1975 the current "advertising" procedure was invoked. The "three refusals" procedure continues to apply to hardwood, at the option of the export applicant.

As well as LEAC's procedures, its structure and size

has changed over the decades. A representative of the Truck Loggers' Association was added in 1948 and in 1962 the Pacific Coast Log Exporters' Association was first represented. By 1967 LEAC had grown to thirteen, with eight members representing lumber, pulp and paper, and cedar mills, one representing independent loggers, one representing the log exporters, and three appointed from the Forest Service. The Chief Forester was Chairman. He was replaced in 1969 by the Vancouver District Forester, who in turn appointed the Vancouver Valuation Forester as his representative in 1976.

In 1969 a separate Chip Export Advisory Committee was appointed by the Minister, with representatives from chip consumers and suppliers. Thus LEAC was left with responsibility for logs only. By 1972, LEAC had grown to 15, with eight members drawn from the Council of Forest Industries, one each from the Truck Loggers and log exporters, two representing labour from the Vancouver District Labour Council, and three from the Forest Service. In 1980, representatives of five Interior milling and logging associations were added and in 1982 a member to represent the interests of independent sawmills was appointed.

With other changes that have occurred -- the elimination of two Forest Service positions and one labour position -- LEAC now consists of 17 voting members and is chaired by a non-voting representative of the Vancouver Regional Office of the Ministry of Forests. Non-voting observers represent the Federal Department of Industry, Trade and Commerce, the Council of Forest Industries and Forintek Canada Corporation.

A review of the minutes of Committee meetings is illuminating. The issues addressed by past Committees are strikingly similar to those faced by the Government today:

> "It was the opinion of the Committee that only export of surplus of any one class of material produced in the

> ordinary course of logging should be dealt with by the Committee. Any operator persisting in the production of a high grade material in the face of a dull market should not be given consideration."

This quotation is an extract from the minutes of a LEAC meeting held in March of 1922.

Current Log Export Policy and Procedures.

British Columbia Government policy requires that timber harvested from Crown land, from lands granted by the Crown after March 12, 1906, from all Crown granted lands in Tree Farm Licences (and wood residue produced from such timber) shall be used in the Province or else manufactured in the Province into one of a variety of final products. The relevant provisions of the Forest Act are sections 135 to 137 in Part 12, reproduced in Appendix III. The basic policy consists of a list of commodities that qualify as manufactured products and provisions for exempting logs and wood residues from the requirement. "Wood residues" refers primarily to woodchips used for pulping, but also includes sawdust and hog fuel. Because our Terms of Reference do not extend to the export of these other products, the remainder of this discussion will be confined to logs.

Manufactured Products. The most important products listed as "manufactured" under section 135 are lumber, pulp and paper, plywood, veneer, shakes and shingles. Another category, "sawn wood products manufactured to an extent required by the minister", for all practical purposes includes cants that are partially manufactured, mostly by specialty mills on the Coast. The requirements of the Minister relate to the maximum permitted wane and the maximum cross-section of the cants.

Exemptions. Section 136 of the Act enables the Government to exempt logs from the manufacturing requirement. Exemptions may be granted by either the Minister or the Lieutenant Governor on

the advice of Cabinet. When an exemption is granted, unmanufactured logs may be exported out of the Province.

The Minister may authorize exemption of volumes of harvested logs, up to 15,000 m^3 for each application. He has no authority to exempt unharvested logs or to approve applications for larger volumes. On the Coast the Minister's consent is sought for most applications, because this procedure is more expeditious than obtaining Cabinet approval.

The Lieutenant Governor may authorize the exemption of timber that has been harvested or of standing timber, in unlimited volumes. Exemptions of standing timber are commonly referred to as "standing green". The Lieutenant Governor is also authorized to issue "blanket" exemptions over individual species of timber in the Province. For these, operators need not apply for the exemption of particular parcels of logs or standing timber. Final permission to export is granted as a matter of course. This kind of exemption is rare, and the only one we are aware of is for cottonwood produced from the North Coast.

Before any of these kinds of exemptions for log export may be issued, the Lieutenant Governor or the Minister, as the case may be, must be satisfied that at least one of three criteria has been met. For the sake of convenience we will refer to these as "timber surplus", "uneconomic wood" and "avoidance of waste or improved utilization".

Timber Surplus Criterion. First, timber may be exported from the Province where it can be shown to be surplus to the needs of domestic mills. In order to demonstrate that softwood timber is surplus, an applicant is required to advertise it for sale in local and Vancouver newspapers. The application is then referred to LEAC for its recommendation. Ministry and LEAC procedures are described below.

On the Coast, log markets centre on harvested logs that are in the water, in decks or on dryland sorts. Standing timber is rarely transacted on the Coast, so neither the Minister nor LEAC consider a surplus to exist until the timber is cut and available for purchase on the log market. As a result, almost all export applications on the Coast relate to harvested logs and standing green exemptions are rare.

In the Interior, on the other hand, transactions in standing timber are much more common, so standing green exemptions are more freely available. The advertising and bidding procedures apply equally to Interior standing green applications as they do to Coastal applications, to determine surplus.

The surplus criterion is by far the most widely applied for log export. With few isolated exceptions, it is invoked with virtually all applications on the Coast where most log exports originate.

"Uneconomic Wood" Criterion. Second, logs may be exported where they cannot be manufactured economically into finished products in the vicinity from where they are harvested, nor can they be transported economically to a mill elsewhere. This provision stems from a somewhat narrower counterpart in the previous legislation, which referred to timber adjacent to boundaries of the Province that could not be shipped to domestic mills for topographical reasons.

We understand that the Ministry interprets this provision narrowly, restricting its application to timber near Provincial boundaries. As a result, it is rarely applied and in those limited circumstances. As we point out later in this Report, this criterion is capable of broader use.

"Avoidance of Waste and Improved Utilization" Criterion. The third criterion that can support log export is where it will

avoid the waste of Crown timber or improve its utilization. On the North Coast it has been invoked for standing green exemptions granted for helicopter operations, in a remote area where the timber would not otherwise be economically accessible and therefore would not be utilized. It has also been used for "blanket" exemptions over cottonwood on the North Coast and other hardwoods elsewhere.

Large areas of Interior timber have been threatened with insects and diseases, and log exports recently have been permitted to expedite the removal of dying trees in the "Flatheads" drainage in the Kootenays and in the western Cariboo.

Exports for these purposes are not widespread and they are sometimes not referred to LEAC.

LEAC and Ministry Procedures. LEAC plays a key role in bridging log export applications and the Ministry of Forests with respect to applications based on log surpluses.

The Terms of Reference and structure of LEAC are reproduced in Appendix IV. Its Terms of Reference are very general, concerned mostly with its size and procedures for the appointment of members, and the scheduling of meetings. LEAC reports to the Deputy Minister of Forests and reviews all log export applications submitted to it. Its decisions are recommendations only and are not binding on the Government.

LEAC presently consists of 17 voting members (and alternates), representing the logging, lumber, plywood, pulp and paper, and shake and shingle sectors (5 members); three members at large from the integrated companies; the Truck Loggers' Association; the Pacific Coast Log Exporters' Association; the International Woodworkers of America; five Interior representatives (from the Northern Interior Lumber Sector of the Council of Forest Industries, Interior

Lumber Manufacturers' Association, Cariboo Lumber Manufacturers' Association, North West Loggers' Association and B.C. Independent Loggers' Association); and independent sawmillers. LEAC meets once a month, although at the height of recent log export activity it met twice monthly to handle the additional workload.

The detailed procedures for obtaining permission to export logs are described in Appendix V. For softwood logs, the applicant initially applies to the regional office of the Ministry of Forests, then advertises the logs for sale in local and Vancouver newspapers. If they are in a remote area of the Coast, the volume offered for sale must be at least 2800 m^3 and, in any event, the parcel must consist of at least 90 percent of a single recognised industrial sort.

To be valid for export purposes, offers to purchase advertised logs must be in writing and received by the applicant (with a copy to the Ministry) within fourteen days after the advertisement. Often an offer at this stage will result in the withdrawal of the application by the export applicant, as he either decides to sell the logs to the offeror or, more often, to process them in his own domestic mill. Sometimes an offer will be withdrawn as the export applicant makes arrangements with the offeror to supply other logs as an alternative. In that case the application proceeds as though no offer were made.

Whether or not an offer is made, the application is placed on the agenda of a LEAC meeting. Where no offers on the logs are outstanding, LEAC recommends that exemption be granted as a matter of course. If the applicant considers an offer to be unreasonably low, he is given the opportunity to present written reasons to LEAC for his position. LEAC usually recommends against exemption unless it determines the offer to be unfair. Thus, LEAC's primary function is to assess the fairness of offers made on log export applications.

For hardwood species, an applicant may chose to follow these same advertising procedures, or else obtain letters from three domestic mills that use the species of hardwood indicating that they have no interest in buying the logs. Three "refusal letters" are normally sufficient to satisfy LEAC that the logs are surplus to domestic requirements and permission to export is recommended on that basis.

If LEAC recommends in favour of export, the application is processed further by the Ministry of Forests in Victoria. While rough conversions from board foot scale to metric scale may be used when a parcel of logs is advertised, a metric scale is required before the application can proceed to Victoria. The exemption is finally issued by the Minister or Lieutenant Governor in Council. For harvested logs, exemptions expire 60 days after they are issued. Sixty-day renewals are granted without further advertising, but with the recommendation of LEAC. After the expiry of a renewal, the exporter must re-advertise and repeat the complete process if he wishes to proceed to export.

Fee in Lieu of Manufacture. Before logs are allowed to leave the Province, an exporter requires a final permit from the Regional Manager pursuant to section 137 of the Forest Act. This document sets out the final metric scale of the logs, and a "fee in lieu of manufacture" payable to the Provincial Crown is calculated on log export. For harvested softwood species on the Coast, the fee is set at 30 percent of the amount, if any, by which the three-month average selling price of the species and grade of logs on the Vancouver Log Market exceeds an annually determined average logging cost set by the Ministry. The rates for harvested softwood logs in the Interior are currently set at $\$3.50/m^3$ for sawlogs, and $\$.70/m^3$ for pulplogs and salvaged timber. The fee in lieu of manufacture is set on the Order-in-Council for each standing green and blanket exemption. The fee for minor forest products, firewood, fuel logs and shake blocks and blanks is now set at $\$.70/m^3$. This

fee does not apply to timber cut from early Crown-grant land (not in Tree Farm Licences) that is subject only to Federal restrictions. The Federal Government does not charge a fee for exported logs.

Annual Provincial revenues from the fee over recent years have ranged from $1 million to $3.7 million. With the adoption of a new way of calculating the fee in 1981 and increased levels of exports in 1982, revenues climbed to $6.6 million last year (see Table 3).

3. LOG MARKETS

Issues raised by log export policies are closely linked to log markets in the Province and abroad. As we explain in a following section of this Report, many "independent" sawmills rely exclusively on domestic log markets for their log supplies, while market loggers sell their production in these markets and tenured mills participate as buyers and sellers locally to varying degrees. Log prices on foreign markets are generally higher than domestic prices, so market loggers and integrated mills have financial incentives to seek export privileges.

The "log surplus" criterion for export is by far the most frequently invoked. Because the presence or absence of log surpluses are determined with reference to the needs of domestic log markets, we will describe these markets in general terms, first for the Coast and then for the Interior. Following this will be a short description of offshore markets for B.C. logs.

Vancouver Log Market

Log markets serve a particularly valuable function on the Coast for allocating logs to their best use. Coastal forests are characterized by a wide variety of species, grades and sizes of timber, and few mills are designed to process the full range of typical forest profiles. Some mills utilize only peeler grades for veneer and plywood production, others concentrate on high quality sawlogs, while others are equipped to saw smaller and lower quality material. Shake and shingle mills utilize only western red cedar, and pulp mills' furnish typically includes low quality logs.

The topographical features of the Coast encourage water transport of logs and, in many areas, prohibit any other form of transport. Log handling methods associated with

water transport have evolved into fairly standardized practices for sorting, packaging, log movement and log storage. These standardized practices have set the stage for the marketing arrangements that are common on the Coast.

To match log production and demands by individual mills, logs are bought, sold and traded on what is known as the Vancouver Log Market, consisting of an informal network of log traders from mills, market loggers and independent brokers. While most transactions are actually consumated in the Fraser River-Howe Sound area where log storage facilities are heavily concentrated near millsites, the market serves as a clearing house for logs produced from the length of the Coast. Where actual deliveries of transacted logs take place elsewhere on the Coast, the prices paid are usually discounted to reflect the transportation cost to the Fraser River-Howe Sound area. Most transactions are struck initially by telephone, with invoicing and payment following, based on Ministry of Forests metric or industrial fbm log scales.

This market is relied on to varying degrees by all sectors of the coastal industry. The small number of independent mills, which lack their own source of tenured wood supply, must compete on the log market for all of their requirements.

Integrated mills, with tenure over Crown or private forest land, use the market for a variety of purposes. The tenures held by many of these operators are insufficient to produce all of their log requirements, so they buy the deficiencies on the market. Others, who produce more than they need, sell their surpluses on the market. All of the integrated mills, regardless of their net log requirements, use the market for adjusting log inventories over the course of a year and to obtain the optimum mix of species, grades and sizes of logs they require for their individual mills.

Many of the integrated mills have long-standing fibre

exchange arrangements with each other, to permit them to obtain the optimum log mix. For example, an integrated pulp mill will agree to sell surplus sawlogs to an integrated sawmill that is chronically short of sawlogs, in exchange for the sawmill's by-product chips or pulplogs. It is common for plywood and veneer mills to obtain their peeler requirements under arrangements of this nature. Usually the prices paid for reciprocal deliveries are those prevailing on the Vancouver Log Market at the time when the logs are ordered.

Finally, production by market loggers is sold on the Vancouver Log Market to independent and integrated mills, often through log brokers. However, much of this production is tied in one way or another to mills, under a variety of first refusal and option arrangements. Many of these arise where mills help to finance a logger's working capital requirements, and others were formed in conjunction with transfers and leases of cutting rights.

Earlier in the Century, the Coastal forest industry was characterized by separate independent market loggers and independent mills, with the Vancouver Log Market linking the two. Over the decades the industry has become consolidated into fewer and larger concerns. Furthermore, it has become highly integrated vertically with most mills holding tenure over Crown or private forest land to secure their timber supplies. Currently, the six largest coastal milling firms account for two-thirds of Coastal timber harvest.

As these industrial trends have occurred, the volumes of logs transacted on the Vancouver Log Market, as a proportion of total Coastal log production, have tended to decline. In 1945 the volume traded in the market was estimated at 29% of total cut and recent estimates made by the Ministry of Forests place their recorded log sales at 17% of total cut. The implementation of the Ministry's Small Business Enterprise Program and refinements in the recording of market transactions are

expected to increase the size of the market in the future.

The Vancouver Log Market has important implications for Government policy in two respects. First, reported market prices are used as the basis for calculating stumpage rates for the entire Coast. Second, LEAC considers the fairness of domestic offers made on log export applications with reference to log market prices.

Interior Log Marketing

In the Interior, log trading is not nearly as widespread as on the Coast. Most Interior forests produce far more uniform grades and sizes of logs than their coastal counterparts, and most mills there are designed to utilize the full forest profile available to a mill. Thus, in contrast to the Coast, the need for log marketing arrangements in the Interior is far less acute. Relatively high road and rail transportation costs associated with moving logs across land in the Interior further hinders the development of log markets. Until recently, transactions were restricted generally to sales of logs and standing timber from ranches and other private holdings, and sales of individual species such as cedar for shakes, poles, shingles and fencing. In recent years, with the advent of the Small Business Enterprise Program, the potential volumes of timber available to independent market loggers in the Interior has increased, leading to increased log market activity in the region.

Foreign Log Markets

Although Provincial log export controls apply to shipments to other Canadian jurisdictions, the volumes involved in this trade are insignificant. Most unmanufactured timber that leaves British Columbia is destined for other countries, primarily Japan, the U.S.A. and, recently, the People's

Republic of China. Table 1 sets out log volumes exported, by country of destination, over the past decade.

TABLE 1

Log Exports by Destination 1973-1982
(1000 cubic metres)

YEAR	U.S.	JAPAN	CHINA	OTHERS	TOTAL
1973	51	84	-	-	135
1974	267	328	-	-	595
1975	195	230	-	-	425
1976	313	274	-	3	590
1977	523	510	-	-	1,033
1978	240	430	-	16	686
1979	231	490	-	9	730
1980	396	717	-	23	1,136
1981	421	461	-	22	904
1982	354	587	309	26	1,276

Source: BCFS

Japan. The Japanese market traditionally has been British Columbia's largest log export customer. According to industry sources, most of the volume shown in Table 1 as exported to the United States was eventually trans-shipped from there to Japan. It is common for small parcels, less than a shipload, of export logs to be shipped to American ports, where they are re-sorted and loaded for export to the Japanese market.

During World War II, Japan's forests became severely depleted, but the requirements of post-war reconstruction and expansion created a strong demand for imported forest products. Japan adopted a national strategy of placing primary reliance for lumber and plywood production on thousands of small independent mills, while importing its fibre shortfall in the form of unmanufactured logs and semi-processed squares and cants.

In recent years Japan has supplied about 40 percent of its fibre requirements from its own forests, and the balance has been imported. The United States and the U.S.S.R. are by

far the largest softwood log suppliers, together accounting for over 90 percent of all imports. While Japan is the Province's largest foreign log customer, our share of total Japanese log imports is very small. It has never exceeded 1.3 percent in any of the last ten years, as illustrated by Table 2.

TABLE 2

Japan Log Imports by Source Region 1972-1981
(Percent of Total)

YEAR	UNITED STATES	CANADA	U.S.S.R.	NEW ZEALAND	SOUTH SEAS	OTHER	TOTAL
1972	24.7	.6	18.5	4.3	49.8	2.1	100.0
1973	21.7	.6	18.5	3.4	53.3	2.5	100.0
1974	19.8	.4	18.6	2.8	55.1	3.3	100.0
1975	26.2	.5	21.8	1.4	47.8	2.3	100.0
1976	24.2	.6	19.3	2.0	52.2	1.7	100.0
1977	24.4	1.0	20.8	2.1	49.8	1.9	100.0
1978	24.3	.7	20.7	1.9	50.5	1.9	100.0
1979	27.7	.8	17.6	2.2	49.4	2.3	100.0
1980	27.4	1.3	16.4	2.1	49.2	3.6	100.0
1981	25.4	1.1	19.3	1.7	49.1	3.4	100.0

Source: Japan Lumber Journal

Even if all British Columbia's log exports to the United States are assumed to be destined for Japan, the total still comes to less than two percent of Japanese imports. Japan's imports from the South Seas are primarily hardwood logs.

China. The Province's second largest customer for logs today is the People's Rupublic of China. Since 1979, China has imported softwood logs, primarily from the United States and the U.S.S.R. The first shipments from British Columbia occurred in 1982, consisting mostly of fir, spruce and cottonwood, and they accounted for roughly one-quarter of the volume exported that year. Shipments to China have continued during the early part of 1983, but at a substantially lower rate as conditions in the domestic industry have improved.

As we discuss later in this Report, it has been

suggested that log exports to China have been necessary to enable British Columbia sawmills to sell lumber into China, although the facts are far from clear. This uncertainty, and the fact that this market has developed only recently, makes it difficult to assess its future significance.

United States. Of the log shipments from British Columbia to the United States, a large but undetermined fraction are destined ultimately for Japan. By and large, the only logs shipped from the Province that are actually used in the United States are pulplogs destined for mills in Ketchican, Alaska and in Washington State, and small volumes of alder sawlogs shipped to Washington.

Other Foreign Markets. Log exports to other nations are minor. Volumes shipped to all other countries combined account for less than three percent of the total.

Export Log Prices. This Committee has encountered great difficulty in obtaining information about prices received for logs exported from the Province. The Ministry of Forests does not collect this information at present. Values are declared by log exporters to Federal Customs authorities when logs are shipped from Canada and Statistics Canada compiles summaries of this data. However, we have no confidence in the reliability of this information and informed sources within the forest industry as well are sceptical about its accuracy.

In his 1976 Royal Commission Report, Peter H. Pearse observed that, in the United States Pacific Northwest in the mid 1970's, log export prices were consistently double Vancouver Log Market prices, but he reached no firm conclusion about the relationship between British Columbian export and domestic log prices.

While this Committee likewise lacks reliable export price data, we are satisfied that, for the medium and high

sawlog grades, export log prices are consistently higher than domestic prices. Information provided to the Committee by one company indicates that over 1982-83, the premium for export (excluding fee in lieu of manufacture) ranged from 38 to 88 percent. Pulplog grades in normal market periods do not bring significantly higher prices on the export market. Exports of pulplogs are usually aimed at curbing log losses in the water while they are surplus to domestic needs.

These observations are, by necessity, general. We are satisfied, however, that sawlog export prices are normally significantly higher than their domestic counterparts, providing a strong financial incentive for log producers in the Province to sell them abroad.

In our view, the lack of reliable information about log export prices is a serious obstacle to a coherent log export policy. Later in this Report we recommend steps to improve the knowledge.

4. TRENDS IN LOG EXPORTS

The forest industry is by far the most important in the Province. This importance places B.C. in a unique position amongst all of the provinces of Canada. B.C. relies heavily on exports to other provinces and countries for its economic survival and approximately 60% of all its foreign exports stem from primary forest industries and manufacturing of wood products.

The industry accounts for approximately 14.0% of total provincial output of goods and services and provides 8.0% of employment. Considering indirect employment, approximately 25% of the provincial employment is associated with the forest industry in one way or another. In 1973 the foreign exports of the forest industry accounted for two-thirds of the total value of provincial exports. It is significant that other industries and sectors are gaining in relative importance to the Province's economy despite the continuing high level of production and value associated with the forestry sector. This trend will likely continue as secondary manufacture and mining and metalurgical, petroleum, tourism and other sectors expand. There is no doubt, however, that the forest industry will remain in a dominant position in this exporting Province.

General Trends -

Because the forest industry is so dependant on exports on the world market, the economy has cycled widely as economic changes occur throughout the world. The industry has attempted to respond flexibly to new opportunities in some markets as others fall off. This has only been partially successful and is demonstrated for lumber more than in other product lines. Generally, the shake and shingle and plywood sectors follow trends in lumber production closely and reach lows and highs at about the same time. The pulp and paper sectors are far less volatile and, although they are cyclical,

they are not always in phase with lumber.

Trends in log exports follow an opposite pattern. For at least the last 20 years there has been a strong export demand in Japan for softwood logs in unmanufactured form. This demand has been largely satisfied by producers in the Pacific Northwest of the United States, the USSR, New Zealand, Chile and other countries.

The British Columbia export log business, because it provides primarily for the export of logs surplus to the needs of domestic manufacturing and processing, fluctuates approximately in inverse relation to the markets for finished products of the forest industry. Chart 1 illustrates the inverse relationship of logs exported and lumber shipments. (The Council of Forest Industries Statistical Tables issued in April 1983 are the source of the data used.)

In 1977 lumber markets, which had been rising rapidly since 1975, softened and increased log exports were required to dispose of surplus inventories. With the inventory then in line, log exports decreased in 1978 as the lumber market peaked and then increased steadily as the lumber market slumped to its 1982 low.

The fraction of total provincial log harvest represented by log exports has traditionally been small, ranging from a low of 0.2% in 1973 to a high of 2.6% in 1970. The full range of log exports from 1966 to 1982 is shown in Table 3.

Chart 2 shows the total log exports from British Columbia in graph form with Vancouver Region shipments shown separately from Prince Rupert and other Regions.

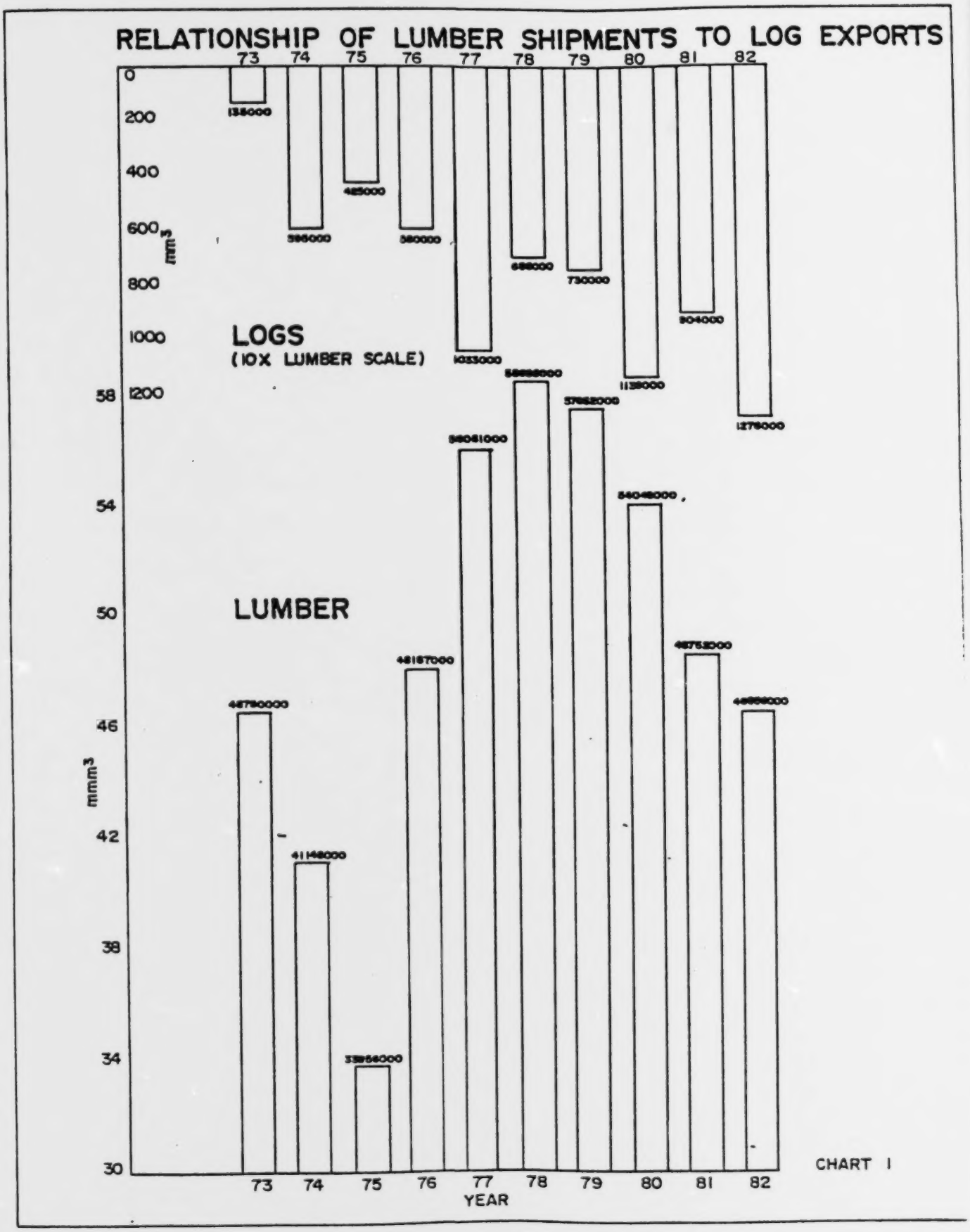

RELATIONSHIP OF LUMBER SHIPMENTS TO LOG EXPORTS
73 74 75 76 77 78 79 80 81 82
0
200
400
600
800
1000
1200
mmm³
LOGS
(10X LUMBER SCALE)
135000
595000
425000
580000
1033000
688000
730000
1138000
904000
1278000
58
54
50
46
42
38
34
30
mmm³
LUMBER
46790000
41148000
33956000
48187000
58081000
58998000
57652000
54048000
48763000
46866000
73 74 75 76 77 78 79 80 81 82
YEAR

CHART 1

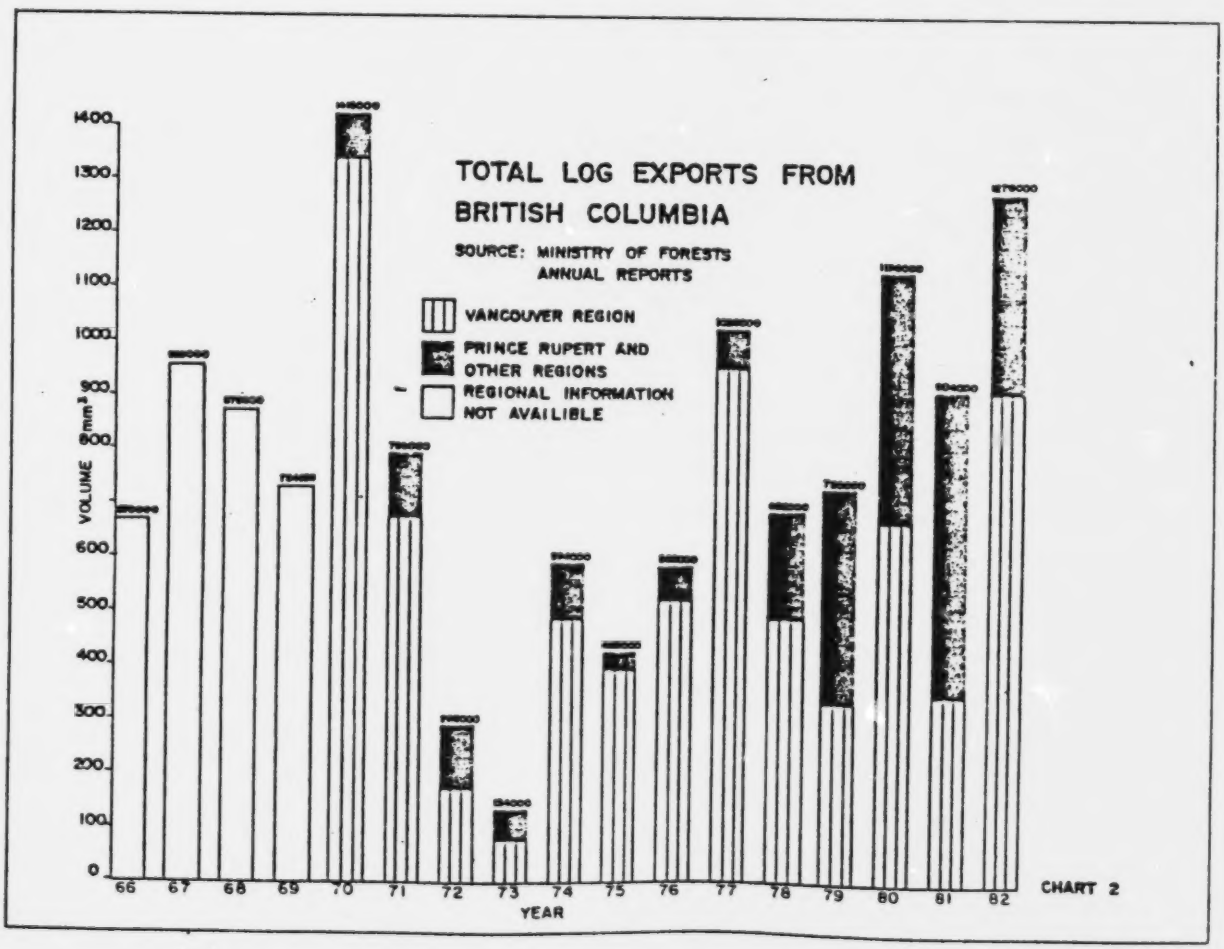
TABLE 3

EXPORTS OF LOGS, 1966-1982

YEAR	VOLUME EXPORTED	LOGS		TOTAL TIMBER TAX REVENUE
		Fraction of Total Harvest*	Portion of exports Subject to Provincial Restrictions	
	thousands of cubic metres	percent		thousands of dollars
1966	670	1.4	69.0	81.6
1967	959	2.2	66.3	112.4
1968	874	1.8	47.4	73.2
1969	734	1.4	58.9	76.4
1970	1415	2.6	73.1	183.0
1971	796	1.4	83.5	117.4
1972	288	.5	70.5	34.0
1973	134	.2	31.2	13.8
1974	594	1.0	46.1	3,313.8
1975	425	.8	51.1	549.9
1976	590	.8	57.4	1,272.4
1977	1033	1.5	73.1	3,715.7
1978	686	.9	87.2	2,664.2
1979	730	1.0	83.5	2,149.3
1980	1136	1.5	66.0	2,529.8
1981	904	1.5	87.8	3,388.9
1982	1276	2.3	77.4	6,627.8

* Volume exported as percentage of total volume scaled

SOURCE: Compiled from data provided by the B.C. Forest Service



To understand the trends in log exports the volumes and sources of logs must be examined in some detail. Some of these details are set out in tabular form in Table 4, showing log export trends by species from 1976 to 1982.

TABLE 4

LOG EXPORTS, BY SPECIE, AS A % OF TOTAL LOG EXPORTS, 1976-1982

YEAR	FIR	CEDAR	SPRUCE	HEMLOCK	BALSAM	CYPRESS	HARDWOOD	COTTONWOOD	TOTAL
1976	5.3%	8.0%	35.9%	27.7%	12.1%	6.4%	4.5%	0.004%	100%
1977	6.1	3.0	11.9	38.8	19.2	19.8	0.9	0.005	100
1978	5.5	15.8	39.9	16.6	8.5	13.3	0.3	0.02	100
1979	2.2	26.7	22.8	16.2	17.0	9.7	2.7	1.5	100
1980	8.8	14.5	18.6	30.4	11.3	7.8	2.3	3.6	100
1981	5.7	4.9	15.8	40.4	20.9	9.4	1.6	1.4	100
1982	31.2	6.7	18.9	18.4	12.6	5.3	0.3	5.8	100

* Annual totals include a small share of other species not listed in this table.
SOURCE: Ministry of Forests Annual Reports

A further analysis of the species exported by grade is displayed in Chart form in Appendix VI.

Following are some observations about these trends:

1. The increase in log export levels from the Prince Rupert Region beginning in 1978 correspond to the start up of the Silver Grizzly helicopter logging operation and also with the ability of local and interior loggers in the Region to demonstrate that their logs were surplus to domestic needs.

2. Fir log exports increased immensely in 1982 with China's first purchases. China accounted for 54% of the fir logs exported. The fir lumber market was virtually dormant throughout 1982.

3. Cedar log exports peaked in 1979 at 194,862 m^3 and were high in 1980 as well. This corresponds with a sudden cedar lumber market slump that started in mid 1979.

4. Hemlock log exports were highest in 1977 but they were also high during 1980 and 1981. The increase in 1977 corresponds with a slump in the pulp sector but the 1980 and 1981 increases probably reflect the general lumber downturn.

5. No clear trends are apparent for spruce or cypress. These species have long been desirable in the Japanese markets and generally command a high price premium over domestic prices for the same grades. There appears to be a declining percentage of cypress being exported and more domestic manufacturers are cutting cypress lumber for the Japanese market.

6. Cottonwood exports are increasing. In 1982, 82% of the cottonwood log exports were sent to China.

7. Hardwood log exports fluctuate widely, and largely reflect swings in the hardwood lumber business in Washington State. Until very recently no significant volumes of hardwood lumber have been sawn in British Columbia.

Recent Developments

Table 5 provides additional data on 1982 log exports and shows volumes by species and by market.

TABLE 5

BRITISH COLUMBIA LOG EXPORTS BY DESTINATION AND SPECIES
1982

(thousand cubic metres)

SPECIES	DESTINATION				
	U.S.	JAPAN	CHINA	OTHERS	TOTAL
Fir	87	93	217	2	399
Cedar	62	23	1	-	86
Spruce	40	170	28	3	241
Lodgepole Pine	-	1	-	-	1
Hemlock	91	137	1	5	234
Balsam	57	101	1	2	161
White Pine	-	-	-	-	-
Cypress	8	49	-	11	68
Hardwood	9	-	-	3	12
Cottonwood	-	13	61	-	74
TOTAL	354	587	309	26	1,276

SOURCE: BCFS

Chart 2 indicates that log exports in 1982 reached their highest level since 1970. With severely depressed lumber markets, the total Provincial timber harvest fell sharply in 1982. While total log exports increased significantly over the previous two years, the percentage of total cut that was exported increased even more dramatically, from 1.5 to 2.3 percent.

The reason for this increased log export activity lies in the recent recession. Interest rates in 1982 were falling but were still relatively high compared to historic levels, prompting firms to reduce log inventories. Markets for

the major manufactured products, lumber, pulp and newsprint, were extremely soft and many mills, particularly the older inefficient plants, were shut down to minimize losses. Corporate losses and unemployment in the industry rose to record levels. At the same time, offshore markets in the Orient for softwood logs were buoyant, especially for the higher grades, providing strong financial incentives for domestic producers to increase their cash flow through log exports.

This combination of circumstances sparked a sharp increase in log export applications in 1982 and early 1983. A few large Coastal companies embarked on aggressive programs to log specifically for the export market. Over this period three log brokerage firms and four large integrated companies accounted for 80 percent of total Vancouver Region exports, while in the Prince Rupert Region, five firms accounted for 77 percent.

This heightened activity placed an unexpected and severe strain on log export procedures. Some companies exerted pressure on the Provincial Government to issue standing green exemptions in order to accommodate ambitious log export programs.

Both the Government and LEAC opposed these proposals, but a few Coastal companies were able nevertheless to export substantial volumes of logs by following the normal LEAC and Ministry procedures. They produced logs in excess of their own milling requirements, in such volumes that log surpluses on the Vancouver Log Market were intentionally contrived. With many Coastal mills shut down due to depressed markets, the domestic log market could not possibly absorb these additional volumes. As a result, the companies were able to satisfy the "surplus" criterion and were granted permission to export the logs. We will make specific recommendations about this serious anomaly later in this Report.

5. IMPACTS OF LOG EXPORTS

This Committee's Terms of Reference instruct us to report on the impacts of log exports on domestic log supplies, foreign markets for manufactured products and on employment in the Province. Before examining these effects we will first describe the general implications of log export restrictions for the industry and the Provincial Crown.

General Implications of Log Export Restrictions

Of the three criteria that may be used to permit the export of logs from the Province, we have noted that by far the most significant is the existance of "surplus": the logs must be surplus before they may be exported. Implementation of this policy affects mill operators of various types and logging operations differently, with some regularly benefiting from it and others being regularly disadvantaged by it. The position of still others is less clear and changes regularly. These implications stem from the lower domestic log prices that result from the restrictions on log exports.

Independent Mills. In British Columbia all pulp and paper mills and by far the majority of sawmills have access to some standing Crown or private timber that they can rely on. However, a minority of so called "independent" sawmills have no tenured wood supply and they rely instead on purchases of logs surplus to requirements of other mills, from private land owners, or from market loggers.

Many of these independents produce standard dimension lumber as well as forest products such as shakes, shingles and red cedar products, yellow cedar cants and squares for shipment to Japan, and hardwood chips for export. Because they rely exclusively on domestic log markets, these operators have the keenest interest in restrictions on log exports. From their perspective, any exports from the Province are potential

threats to their log supplies. In order to obtain a log supply, some of these operators routinely "block" applications to export logs by making offers on log export applications.

To the extent that log export restrictions result in lower domestic log prices, they reduce the fibre costs of independent mills. Without these restrictions, domestic log prices for most species and grades would certainly be higher than current levels, as domestic mills would be forced to compete for raw material at higher prices on the world market.

Market Loggers. At the opposite end of the spectrum from the independent mills are market loggers, who produce logs from Crown land or private holdings, for sale on the log market. Many of these operators are committed to offer their production to individual sawmills, under a variety of first refusal and option arrangements. Nevertheless, a substantial volume is sold openly and at arm's length on the Coastal log market.

Any element in favour of mills that is inherent in log export restrictions is provided, in part at least, by market loggers. If domestic log prices were permitted to rise to world levels, financial returns to market loggers from logs produced from Crown-granted land would certainly rise. Eventually the higher returns on logs produced from Crown land likely would be shared between log producers and the Province, as the higher market values would become reflected in higher stumpage rates. During severely depressed final product markets where indicated stumpage rates are far below minimum, the brunt of the restrictions is borne by the log producers. In short, market loggers receive no direct benefits from log export restrictions and they are affected negatively more than any other sector in the industry.

Integrated Mills. While it is easy to identify impacts of the log export policy on independent mills and on market loggers,

its effect on integrated mills is far from clear. Here we refer to integrated mills as the milling operations with forest tenure on Crown or private land that make up the bulk of timber users in the Province.

Log export policy impacts on different integrated mills in different ways at any time. The forest tenures of some of these mills are insufficient to produce enough fibre for their needs during normal final product markets, so they rely on the log market to make up the deficiencies. Like independent mills, these operators benefit from log export restrictions, insofar as the prices they pay for the incremental fibre they buy on the protected domestic market are generally lower than world levels.

Other integrated mills have a surplus of fibre available to their normal needs, placing them in a similar position to market loggers with respect to the excess. They would obtain higher prices if they could sell their surpluses on the world market without restriction. However, such benefits might be more than offset by the higher stumpage rates generated by world log prices that would apply to their remaining production, at least during normal markets.

Even with integrated mills, the impact of the log export policy can change regularly in response to shifts in final product markets, inventories of specific species, and log grade distributions. At some times a mill will be a net seller of fibre, while at others it will be a net buyer.

As a result of these subtleties, it is difficult to definitively assess the effects of log export restrictions on the largest sector in the industry. The policy weighs more heavily on some mills than on others, and the impacts are in constant flux.

Provincial Crown. The Provincial Crown has a large stake in

the levels of logging and timber manufacturing activities in British Columbia, stemming from its ownership of almost all of the productive forest land and forestry's predominance in the Province's industrial structure.

In its capacity as forest landlord, there is no question that the log export restrictions depress the level of stumpage revenues earned by the Crown. If the generally higher world market prices were used to calculate stumpage rates, stumpage revenues would be much higher. Moreover, higher log prices would extend the margin of economically accessible timber in the Province, and this impact would be the strongest in remote regions, in areas where access costs are highest, and in low quality stands.

However, the Province's take in the form of stumpage is not the only financial benefit it receives from the forest industry. If restrictions on log exports were removed, the level of final product manufacturing in the Province would certainly decline as marginal domestic mills found it impossible to compete with foreign buyers for logs. Thus, while stumpage revenues would rise, the associated decline in the level of manufacturing activity and employment in the short term likely would depress public revenues from other sources (such as corporate and personal income taxes and sales taxes) from not only the forest industry but also other industries, as the effect of lower levels of manufacturing rippled through the economy. The Terms of Reference of this Committee are not broad enough to include a comprehensive study of the net effects of the log export policy on British Columbia generally, so we will not comment on this issue further.

Crown-grants. Significant tracts of forest land in the Province are owned outright by the private sector. The large areas of Crown-granted land in the E & N Railway Belt serves as the largest example, but large volumes of timber are also found in private ranch and tree farm holdings in the Interior.

Little of this timber yields stumpage or royalty payments for the Provincial Crown. Log export restrictions definitely depress the value of the timber of these holdings, and in that respect the position of their owners parallels that of the Province as landlord.

Impacts of Current Log Exports

At the outset, we wish to stress that it has been difficult for us to compile the hard data that would lead to definitive conclusions in the areas of domestic log supplies, foreign markets for manufactured products and employment in the Province. During the course of meeting with a wide variety of interests in the industry, the Committee heard many individual contentions -- many of them speculative and hearsay -- that have a bearing on these issues. However, the Committee has had no systematic means for verifying these contentions without violating the confidentiality of the Participants. Moreover, we have lacked an independent data source that would provide more comprehensive and objective information about the impacts and time has not permitted us to carry out detailed surveys.

As a result, many of our conclusions in this section are of necessity cautious. We will report our findings based on our meetings with Participants, commenting on positions where appropriate.

On Log Supplies to Domestic Mills. It is obvious that any logs that are exported from the Province are not available to domestic mills, so exports always have the potential for impinging on domestic log supplies. However, this issue is complicated by a number of factors, including the timing of production and export in relation to domestic log inventories and in relation to the requirements of domestic mills; the cost of carrying log inventories; the species, grade and size of logs required domestically in relation to those exported; and the location of the logs exported in relation to domestic

millsites. Thus, exported logs might be surplus to domestic mills' needs at one time during the year, but might not be surplus at another time and a domestic mill might not be prepared to carry them in inventory in the meantime; they might not be the kind of logs required by domestic mills; or else the logs might be produced at a location that is too remote to justify the costs of transporting them to a domestic mill that needs them.

At our meetings with industry, many independent mills and some integrated mills drew our attention to difficulties they encounter in obtaining log supplies. Many contend that reduced levels of log exports would lead to a greater availability of wood to domestic mills. Despite these contentions, we have concluded that the modest volumes of logs exported during most markets in the past have not seriously affected the supplies to domestic mills. As we conclude later in this Report, the procedures followed by the Log Export Advisory Committee have worked reasonably well in protecting the domestic industry from competition for logs from foreign buyers during normal markets. Prior to the current depressed markets, most logs exported were probably in genuine surplus to domestic requirements at the time of application for export. In most cases, a denial of the export exemption would place a hardship on the applicant in terms of high inventory costs or would result in unnecessary deterioration of logs in the water.

However, different considerations have applied over the past two years. Some coastal integrated mills and market loggers have looked to relatively heavy levels of log exports as a means of improving their cash flow during this period. Surpluses on the Vancouver Log Market have been contrived as large volumes have been produced specifically for export and dumped on the domestic market faster than they could be absorbed. The volumes of logs advertised for sale to meet the requirements for log export exemptions were 1.5 million m^3 in 1981, and 3.2 million m^3 in 1982. Records indicate that

.9 million m^3 were actually exported in 1981 and 1.3 million m^3 in 1982, so .6 million m^3 of the advertised volume in 1981 and 1.9 million m^3 in 1982 were not exported and were used or remained in the Province. The portion not exported was not necessarily sold on the open market but we can assume that an equivalent volume was either offered on the market, taken up at a negotiated price, or withdrawn from the market. In the Interior, the trees may still be standing. Domestic mills that have indicated a willingness to buy the logs have been offered promises of other, often inferior, wood to forestall "blocks" of export applications.

Some independent mills during this period have experienced log shortages that have led to plant curtailments and closures. According to their representatives, they have been reluctant to "block" these applications out of fear of later reprisals from integrated mills who they depend on for their regular log supplies. It is claimed that exports have recently deprived domestic mills of log supplies.

However, we are not convinced that exports have had this effect. We have been told consistently that prices for most species and grades on the Vancouver Log Market were insufficient to recoup logging and delivery costs during 1982. For fir sawlogs there was virtually no market at all for most of the year. That being the case, the companies that were logging for the export market would not have produced those volumes at all, unless they had a reasonable expectation that they would be successful in obtaining permission to export. Without permission to export, they would be faced with selling the logs at a loss on the Vancouver Log Market, holding them in inventory at considerable cost and at the risk of deterioration of the logs in the water, or sawing them in their mills, again at a loss.

These companies took a calculated risk that they would be able to obtain export approval, and by and large this

assumption was justified. Most of the companies involved had enough influence in the domestic log market that they were able in one way or another to thwart "blocks" of export applications by domestic mills in need of timber.

We have concluded that the relatively high levels of log exports in 1982 and early 1983 did not deprive domestic mills of logs they required. The reason for this seeming paradox is that, if the exporting companies had been unable to export, they probably would not have logged those volumes at all. The log shortages faced by some domestic mills during this period were not attributable to exports, but to more fundamental economic problems that beset the industry. Prices for lumber and most other final products were generally too low to support the costs of logging and milling. Domestic mills should not have reasonably expected the Vancouver Log Market to provide them with logs at prices that were lower than production costs. Nevertheless, surpluses were contrived and some companies actively produced logs for export, despite the log export restrictions.

Log export restrictions depress domestic log prices and indirectly restrict log supplies to domestic mills. The effect of relatively low log prices is the closure of marginal logging operations and lower total log production, as areas available for low cost log production are limited. This curtailment of log production affects independent mills first, because they lack their own timber supplies.

As well, obsolete and inefficient conversion facilities that cannot compete in depressed world final product markets are the first to close. Coincidentally, the companies with these mills control the highest quality of timber on the Coast in the lowest cost operating areas. As a result, the incentives to log for export are the strongest for some of the least efficient coastal milling operations.

Market loggers, who generally operate on lower quality and higher cost timber, faced a similar situation even though they do not have milling facilities. Domestic log market prices were generally lower than their logging costs, and they were forced to seek log export opportunities to continue operating at all.

This is not to say that we concur with the result of these recent experiences. Later in this Report, we examine the effectiveness of current administrative procedures in implementing general Government log export policy, and recommend ways for reducing or eliminating their abuse.

On Overseas Markets for Manufactured Products. The major lines of manufactured forest products produced in British Columbia are lumber, pulp, newsprint and plywood. To varying degrees all of these commodities are shipped to other parts of Canada and are exported to markets in the United States, Europe, Asia and other nations.

The United States, European countries and Japan are the heaviest importers of these products but, except for Japan, they are not large customers for unmanufactured logs shipped from the Province. As we noted earlier in this Report, most log exports to the United States are destined ultimately for Japan, and the volumes of logs shipped to all other nations except to Japan and, recently, to China, are minor. We have no reason to expect that the modest levels of log exports to other nations are significantly affecting British Columbia's opportunities there for marketing manufactured products, so we will focus on the Japanese and Chinese markets. Even for these markets we will confine our analysis to lumber, to reflect current concerns in the Province over log exports. It has not been contended that log exports are seriously jeopardizing our markets for other manufactured products.

As indicated by Table 6, Japan has not relied heavily

on lumber imports since 1966. Total lumber imports from all nations have not exceeded 14 percent of total consumption over this period, reflecting Japan's strong preference for domestic manufacture using high levels of imported logs.

TABLE 6

JAPANESE LUMBER PRODUCTION AND IMPORTS

(Thousand cubic metres)

YEAR	JAPANESE PRODUCTION	UNITED STATES	CANADA	USSR	SOUTH SEAS	OTHER	TOTAL IMPORTS	IMPORTS AT % OF SUPPLY
1966	35,633S	410.3	629.9	67.8	39.0	—	1,214.2	3.3%
1967	38,407	585.2	1,091.3	117.2	96.5	15.0	1,980.7	5.0
1968	40,342	718.9	1,347.0	160.7	145.3	77.0	2,536.8	5.9
1969	41,730	646.3	946.8	111.5	162.4	99.4	2,066.2	4.7
1970	42,127	736.3	1,711.2	98.2	232.3	80.0	3,010.6	6.7
1971	41,806	660.8	913.4	102.2	243.1	91.6	2,129.0	4.8
1972	43,664	873.4	967.5	104.0	236.1	105.5	2,496.9	5.4
1973	45,038	1,350.4	1,341.5	140.4	325.1	104.1	3,679.4	7.6
1974	40,510	1,345.3	1,206.5	130.1	428.5	115.6	3,636.8	8.2
1975	37,362	1,094.6	990.6	103.3	104.5	82.8	2,612.6	8.3
1976	39,315	1,085.5	1,454.4	111.6	164.9	293.1	3,300.6	7.8
1977	38,278	974.8	1,657.4	116.7	255.9	580.7	3,585.5	8.6
1978	38,867	981.0	1,815.9	126.8	278.1	655.4	3,857.3	9.0
1979	39,586	1,536.2	2,088.9	133.7	372.4	985.2	5,116.4	11.5
1980	36,703	1,550.4	2,564.2	138.9	516.9	467.3	5,577.7	13.2
1981	32,557	1,130.7	1,822.5	123.0	363.5	202.7	3,900.4	10.7

S = Shipments
Source: Merril Lynch and Japanese Lumber Journal

However, the volumes and market share of lumber imported into Japan have been rising steadily. Canada's share, virtually all from British Columbia, has been increasing as well. Since the early 1970's, lumber shipments from Canada have risen more or less steadily. Even in 1980 and 1981, with the onset of worldwide recession, Canada's sales into the Japanese market fell only modestly in relation to the severe drop in total Japanese lumber consumption. Canada's contribution towards Japan lumber imports declined until 1974, but since

then it has climbed steadily to account for almost half.

These trends can be explained in large part by marketing strategies of British Columbia lumber producers. First, in recent years many mills have cut specifically to Japanese dimensions. Second, the industry has made major efforts to pursuade the Japanese to adopt platform style house construction using standard North American lumber dimensions, in place of their traditional post and beam construction.

Some interests in the industry contend that, by exporting logs into Japanese and other foreign markets, the Province is foregoing lumber manufacturing and associated employment opportunities. This view is initially compelling, because without log imports Japan would certainly be forced to import more of its lumber in manufactured state. If Canada were a major log supplier to Japan, withdrawal of Canadian volumes would have this effect and higher levels of domestic lumber production would be the result.

However, of Japan's total log requirements, Canada supplies only a small fraction, two percent at most. If Canada were to eliminate this volume entirely, Japan could readily substitute with imports from its larger suppliers in the United States and the U.S.S.R. For example, in 1973 the volume of logs exported from Canada to Japan dropped substantially, while the volume shipped to Japan from the United States that year reached an all-time high. We have concluded that any increase in domestic lumber sales into Japan would be insignificant if log exports to that nation were discontinued.

In the early 1970's as Canadian log and lumber sales to Japan fell, log and lumber shipments from the United States to Japan increased substantially. Furthermore, over the past market cycle, Canadian lumber and log shipments to Japan have tracked each other more or less consistently. As log exports have risen steadily since the 1970's, so have lumber shipments,

but at a more rapid rate. These trends do not demonstrate any consistent tendency for the Japanese to substitute Canadian lumber for logs, or vice versa.

Thus the bargaining position of the Japanese is strong. They are a large and adaptable market and they may choose among competing suppliers for both logs and lumber and they may substitute one commodity for the other readily. If British Columbia curtailed log exports to Japan, the Japanese would not necessarily buy more lumber from domestic mills. Conversely, if the levels of log exports to Japan were increased, there is no reason to believe that Japanese lumber imports from Canada would decline significantly.

Our comments on the effects that log exports have on the Province's opportunities for selling lumber to China are more tentative, because this market has emerged only recently. The picture is further confused by conflicting opinions about the opportunities within the domestic industry.

In 1982, 309 thousand m^3 of logs were exported from British Columbia to China. For the most part, these sales were arranged by two large lumber export firms in the Province, in conjunction with the sale of 34 million board feet of lumber to China that year. These agencies contend that the lumber sales would not have been concluded unless the logs were sold as part of the package, and that the Chinese were interested primarily in the logs. As well, it is argued that log exports represent a valuable introduction to the vast Chinese forest products markets and that the domestic industry should use log exports initially to penetrate them. According to this view, Canadian suppliers should be able to gradually shift the balance of sales in favour of lumber as time progresses.

On the other hand, interests in the industry who generally oppose log exports to China contend that the ratio of logs to lumber packaged for the Chinese was unnecessarily high.

Some even question that log sales were required at all, and they say that the Chinese would have bought the lumber without them. Moreover, these interests expressed doubt that current log exports will lead to future lumber sales into the Chinese market. They go further to argue that log exports could well stifle future lumber shipments if the Chinese adapt their milling industry to depend on logs from this Province.

We have found it difficult to weigh these opposing contentions and the task of doing so is complicated by a number of factors. This market has emerged only very recently and information about it is scant. Further, in negotiating with the Chinese on log and lumber sales our industry has not been united. The Chinese authorities, on the other hand, have a monopoly on imports into the country, giving them a natural incentive to play off one supplier against another in an effort to obtain the most favourable terms. Finally, as with Japan, the Chinese may turn to other sources of supply if they are unable to obtain the terms they seek from Canadian producers. In this connection sizeable volumes of logs were shipped to China during 1982 from the United States.

Without additional detailed information about Chinese markets, we are unable to offer definitive conclusions about the impact that log exports have on lumber sales to China. However, later in this Report we recommend that the Government's policy should not permit log exports to China for the sole purpose of penetrating the Chinese lumber market.

On Employment Opportunities for British Columbians. Finally, this Committee's Terms of Reference instruct us to report on the effects of current log exports on employment opportunities in British Columbia. This is a particularly sensitive issue for organized labour, as widespread unemployment in the woods and the mills has resulted from the recently depressed forest products markets. In this section, we will identify the sources of employment in the industry, and then analyse the

effects of log exports on each sector.

The forest industry in the Province is characterized by two distinct labour pools. In the woods, logs are produced through a variety of logging systems, depending on the character of the timber, topography and so on, once road access to the timber has been completed. The milling sector is the major consumer of logs, and is made up of hundreds of sawmills, more than twenty pulp and newsprint complexes and a variety of smaller operations that produce minor forest products such as shakes and shingles, poles and piling, and fence posts. The total labour force in logging and milling in the Province during the normal markets is estimated to be 95,500.

Three major unions represent most of the workers in both sectors. The International Woodworkers of America dominates in the woods and sawmills, while the smaller Canadian Paperworkers' Union and the Pulp, Paper & Woodworkers of Canada represent workers in the pulp and paper mills. Most Coastal operations are certified in this manner, whereas there is a higher proportion of non-union operations in the Interior.

Besides these direct sources of employment in the woods and in the mills, the forest industry indirectly provides employment for a host of suppliers of a wide variety of goods and services required to produce logs, manufacture them into secondary forest products and market them. Estimates of the magnitude of these indirect jobs vary widely. Throughout the remainder of this section we will focus on the impacts of log exports on the direct logging and milling employment only.

Log exports affect logging and milling employment in opposite ways, and the size of their impact on each sector depends on local and foreign prices for logs and for manufactured forest products, and on production costs in the Province of both kinds of commodities.

The availability of a log export market cannot hurt employment opportunities in logging; it can only help. Logging will not normally occur at any location in the Province at any time when both domestic and export log prices are inadequate to cover logging costs. Under those circumstances, logging can be carried on only at a loss, so it will be curtailed with resulting unemployment. At the other extreme, where both domestic and export log prices are sufficient to at least cover logging costs, logging will take place, although the returns to logging might be more attractive on the export market than on the domestic market. In that case, log exports will have no impact on the level of employment in domestic logging, because the logging probably would have occurred in any event.

The availability of an export market for logs will have a beneficial effect on logging employment under intermediate conditions, however. If domestic log prices are not high enough to cover logging costs, but prices on the export market are high enough to cover them, logging for the export market will result in employment opportunities in the Province that would not otherwise have occurred. We are satisfied that these conditions have prevailed in 1982 and are prevailing in 1983 for some areas of the Coast. Because of depressed lumber and other final product markets facing domestic mills, the values of logs on the Vancouver Log Market fell below production costs. To cover their operating costs, log producers required access to offshore markets for at least a part of their output. There is no doubt that the level of unemployment in the logging sector would have been higher during that period were it not for log exports. This was especially true for remote areas of the Coast where logging costs tend to be high and for some species, such as fir, whose prices were severely depressed. It is likely that domestic log prices covered the costs of logging red cedar which was in relatively strong demand, and some other species in accessible parts of the Coast.

The effects of log exports on employment in milling

depend on complex relationships involving logging and milling costs, the financial returns to milling, and domestic and export log prices. We will analyse the employment effects under various combinations of conditions.

First, if the additional costs that mills incur to produce manufactured forest products from logs are higher than the value added to the logs through manufacturing, the mills operate at a loss. While these conditions prevail mills would remain closed and employment opportunities in milling would be lost. Under these circumstances, any logs that are exported from the Province do not affect employment in milling, because the mills will not operate at a loss in any event. In fact, log exports would actually increase total employment insofar as logging would not take place were it not for export opportunities and additional jobs would be created in manufacturing the logs to export specifications, loading them on board ship and so on. However, the short term employment opportunities from export logging may not offset longer-term sacrifices in milling jobs, particularly if high quality timber, which is in diminishing supply, is exported.

Second, at the other extreme, if the financial returns from milling in the Province are higher than the returns from selling unmanufactured logs in the export market, log exports will cease and log suppliers, whether market loggers or integrated mills, will have no financial incentive to log for export. The integrated mills would tend to convert their logs into manufactured products, and domestic log prices, reflecting the relatively high value of manufactured products, would reward market loggers more richly than would the export market. Here again, no jobs would be lost to log exports because there would be no exports.

Under the third set of circumstances, however, log exports have the potential for adversely affecting employment in milling. If the value added to logs by milling them in the

Province into manufactured forest products exceed the additional costs incurred to mill them, mills potentially are able to offer employment. However, if at the same time the financial returns to milling are lower than the potential returns from selling logs on the export market, integrated mills and market loggers will nevertheless have financial incentives to sell on the export market instead of producing manufactured products in the Province. Under these conditions, log exports reduce employment in mills because, were it not for the exports, domestic mills would be operating at higher rates of production.

This analysis, over-simplified by necessity, is intended to identify the conditions that must prevail before log exports can affect employment in mills. In reality, the cost structure of each mill is different and the prices for the various kinds of manufactured products are different and in constant flux, especially for the range of lumber grades, species and dimensions.

As a result of these complexities, we are unable to offer definitive conclusions about the effects of log exports on employment in milling. We suggest that, for some kinds of manufactured products, employment opportunities in milling are being lost. Because we have not been able to carry out a comprehensive survey of milling costs and product prices on the Coast, we cannot estimate the size of lost employment opportunities. Later in this Report, we recommend changes in log export procedures that should blunt incentives and curb tendencies for market loggers and integrated mills to export logs under circumstances where log exports will reduce employment in mills.

6. PROBLEMS AND RECOMMENDATIONS

In formulating our recommendations we have followed three basic objectives. First, solutions to administrative problems associated with log exports should not interfere with domestic log markets. These markets should be as free from Government interference as possible, within a broader context of log export restrictions. Second, administrative procedures should be simple, efficient and inexpensive to administer, in recognition of the minor fraction of Provincial harvest that is sold on the export market. Finally, our recommendations are designed to resolve the most significant issues that have been raised by interests in the industry. We were told of a wide range of problems. Many were minor and are capable of resolution through the normal administrative and advisory channels. Here we will focus on those that have the most direct bearing on our Terms of Reference.

Legislative Framework

We explained earlier that Part 12 of the Forest Act sets out Provincial log export policy. Besides two minor legislative amendments that we recommend below, we are satisfied that the current legislation is adequate.

However, one issue that has important implications for the legislative framework recurred in our discussions with industry. It was contended by some interests that the industry could not expect to penetrate the emerging import lumber market of the People's Republic of China unless the Province is prepared to allow log exports to be coupled with lumber shipments. Formal implementation of this strategy would require the addition of a fourth criterion for log export in the Forest Act, relating to final product marketing.

We are not convinced that log sales, in fact, will be required to open up the Chinese market for our manufactured

products. Opinions in the industry were divided, with some firms contending that log sales will have the opposite effect and will actually impede our marketing efforts for finished products in the long run. Without far stronger evidence supporting the need to export logs to China, we do not feel that Provincial policy should be changed. Accordingly, we make the following recommendation:

1. The criteria for log export in the Forest Act should be retained substantially intact. The sale of manufactured products into foreign markets should not become a legitimate criterion for log export.

Two minor changes would improve the log export provisions in the Forest Act. In section 136(3)(c), logs may be exported to prevent the waste or improve the utilization of timber cut from Crown land, but not from private land. This provision is unnecessarily restrictive and we make the following recommendation:

2. Section 136(3)(c) of the Forest Act should be amended by deleting the words "cut from Crown land".

The second amendment relates to Ministry of Forests administration. A final permit is issued by the appropriate Ministry Regional Office before exempted logs may be exported. Section 137 of the Forest Act requires it to be issued by the Regional Manager. Since this is largely a clerical function, there is no need for a senior official such as the Regional Manager to perform it. For administrative convenience, we recommend that the Regional Manager be authorized to delegate this function:

3. Section 137(b) of the Forest Act should be amended to enable the Regional Manager to delegate the issuance of final export permits to "a forest officer authorized by him", once an exemption has been granted by the Minister or Lieutenant Governor in Council.

Structure and Terms of Reference of LEAC

Throughout its history, LEAC has performed a valuable function for the Government. Over the years its structure has changed, with the addition of representatives from various sectors of the industry and a gradual reduction in appointments from the ranks of the Forest Service. In recent years the size of LEAC has swollen considerably, with the appointment of representatives of independent sawmills and five interior industry organizations. The voting membership now stands at 17.

Two issues emerged from submissions from Participants about the structure of LEAC: its size and the choice of membership. Some favoured the creation of a separate Interior advisory committee and others proposed reducing its size. Generally, those organizations with strong representation on LEAC are content with a continuation of the present structure, while many less influential interests, such as market loggers and independent mills, feel that the large integrated companies excessively dominate.

With respect to its size, it appears to us that LEAC has become the victim of the "ratchet effect". As interests in the industry have voiced concern over log export policy and procedures, the Ministry has responded by appointing their representatives to LEAC. This tendency toward growth, however, is not offset by any natural pressure in the opposite direction. Once an organization has a representative appointed to LEAC, it has no incentive to later withdraw. Moreover, many positions are anachronistic echoes of forest industry organizations in the past. The five "sector" positions (logging, lumber, pulp and paper, plywood, and shake and shingle) apparently reflect the various industry associations that were melded into the Council of Forest Industries. Before the formation of the Council, each of these organizations were represented separately in LEAC. There seems to be no explanation for the three "at

large" voting members of the Council nor for the non-voting positions of the Council or Forintek Canada Corporation.

The composition of LEAC is weighted in favour of the integrated companies. Of the 17 voting members, 9 are employed by member companies of the Council of Forest Industries on the Coast and in the Interior.

We have concluded that the size of LEAC should be trimmed and that it should be re-structured to strike a more equitable balance among the various interests in the industry. LEAC should be large enough to include the expertise required to provide knowledgeable advice to the Government, and representatives of those with a legitimate interest in log export. At the same time, LEAC should not be so large that it leads to unnecessary public and private costs.

We make the following recommendations concerning the structure of LEAC:

4. LEAC should consist of nine voting members, appointed as follows:

Integrated coastal companies	2
Independent coastal shake & shingle	1
Independent coastal sawmills	1
Coastal market loggers	1
Organized labour	1
Log exporters	1
Interior sawmilling	1
Interior market loggers	1
TOTAL	9

Each member should have an alternate.

5. LEAC should continue to be chaired by a non-voting official from the Vancouver Regional Office of the Ministry of Forests, for applications that require Provincial exemption. The Vancouver Region Export Co-ordinator should serve as the non-voting Secretary of LEAC.

6. A representative of the Federal Department of Industry, Trade and Commerce and Ministry of Forests

support staff should sit as observers on LEAC.

7. LEAC should have no non-voting members besides the Chairman and the Secretary.

8. The appointment of the Interior sawmilling representative should be rotated among the Interior sawmilling industry associations, and the appointment of the Interior market logging representative should be rotated among Interior independent logging associations.

9. The Minister should appoint an Interior Sub-Committee of LEAC, to be chaired alternately by the Interior sawmill and market logging representatives. Membership of the Sub-Committee should consist of representatives of all Interior sawmill and logging associations. Sub-Committee members should be eligible to attend LEAC meetings as observers and the Sub-Committee Chairman should consult the Sub-Committee with respect to Interior log export applications. The decision of the Interior Sub-Committee should be adopted as LEAC's recommendations for Interior applications.

10. All representatives appointed from industry should be fully knowledgeable about log markets and log market prices.

11. The Deputy Minister should refer LEAC's Terms of Reference to the newly structured LEAC, for the purpose of reviewing such matters as meeting times, replacement of members, quorum, distribution of minutes, and LEAC functions in light of other recommendations in this Report.

These recommendations should reduce LEAC to a more manageable size and provide for more balanced representation. The positions of the three Council of Forest Industry members at large would be eliminated. The shake and shingle representative would be an independent operator, in recognition of the importance of the independents in this sector and the trend towards diminishing involvement in this sector of integrated companies over recent years. An Interior Sub-Committee should serve as an effective vehicle for the evaluation of log export applications from the Interior, but without involving Interior

operators unnecessarily with respect to Coastal applications, and vice versa.

Administrative Procedures - Ministry of Forests

Ministry of Forests staff in Victoria headquarters and in each of the Regions are accountable to the Minister for implementing the policy set out in Part 12 of the Forest Act. This staff relies on LEAC for advice on some aspects of administration. The administrative procedures that are employed are intended to provide the controls necessary to implement the policy.

As most applications for exemption and log exports originate in the Vancouver Log Market area, it is natural that most of the administrative activities regarding log export take place in Vancouver. During the recent period when log exports and applications for export increased dramatically, a number of administrative problems associated with the Ministry's handling of export procedures came to light.

Some of these problems are as follows:

(a) During depressed market conditions a need for extra effort and bi-monthly LEAC meetings arose to cope with heavier levels of applications.

(b) There are no formal guidelines set out for Ministry of Forests personnel, and some Regions follow different procedures from others. A draft manual has been prepared, but not circulated.

(c) Because of time constraints and inadequate briefing, LEAC cannot effectively provide informed recommendations. As well, even applications on which no offers from domestic mills have been made are referred to LEAC, leading to unnecessary processing delays.

(d) The definition of a "remote area" should be clarified in relation to the minimum volume of logs to be advertised.

(e) The use of industrial scales for advertising purposes has created problems in the application process at a later step in the procedure.

(f) Procedural problems have occasionally delayed collection of the fee in lieu of manufacture.

(g) There are inadequate field inspections covering waterborne tows to U.S. waters.

We therefore make the following recommendations designed to improve efficiency:

12. The draft provincial procedures manual for handling log exports should be revised where necessary, completed and issued to each Region of the Ministry of Forests, with instructions to implement it. The manual should be available for public information.

13. Each Region should keep the necessary records to pinpoint problems in log export administration. These new records will include cut and export volume records for exporting firms, species and grade information by country of destination of log exports, and export prices (recommended below). It is not expected that these requirements will add to the administrative workload, as long as modern recording and retrieval systems are employed.

14. Applications on which no offers are received should not be considered by LEAC but should be forwarded directly to the Victoria valuation section of Ministry of Forests for documentation and for granting of exemption. All such applications should be listed in detail on the agenda for each LEAC meeting for information purposes. This will speed up the exemption process for surplus logs, eliminate an unnecessary step in the process, and allow LEAC's meeting time to be more effectively employed.

The Ministry of Forests has permitted the application for exemption to be advertised and to be reviewed by LEAC on the basis of an industrial scale. After review by LEAC the application is always held with no futher processing until an official scale is reported. This procedure means that an applicant must have an official (metric) scale carried out without knowing whether LEAC supports or rejects the application. It is recommended that:

15. The Ministry of Forests should permit an application for exemption that is based on industrial scale to be submitted to Victoria for processing, providing the industrial scale has been carried out in metric units by a qualified licensed scaler.

The minimum volume that can be advertised in remote areas is 2800 m^3. To resolve the question of defining a "remote area" for advertising purposes it is recommended that:

16. The Ministry of Forests, in consultation with LEAC, should establish by list or on a map the areas to be considered as "remote", for the purposes of minimum volume requirements for advertising.

With respect to the procedures following the granting of the export permit, it is recommended that:

17. Ministry of Forests staff should carry out occasional inspection of logs being exported to United States ports via tug and boom tows.

18. The fee in lieu of manufacture for logs exported should be billed prior to export.

Later in this Report we propose that each exporter should be required to report cumulative log export volumes, harvesting rates, and export sales prices for various species and grades of logs. To meet these requirements the Ministry of Forests should make changes in its standard log export forms. We therefore recommend that:

19. The document known as F.S. 38 should be modified to provide for log exporters to report actual log export sale prices under oath.

20. The document known as F.S. 418 should be amended to permit cumulative log exports and previous calendar year timber harvests of exporting firms to be reported.

Minimum Manufacture

While the Terms of Reference under which this Committee worked clearly restrict our involvement to the export of unmanufactured logs, the problem of export of partially manufactured logs has surfaced and we offer some comments. Two situations arise from time to time where export of manufactured products fail to meet the minimum manufacturing standards determined by the Minister under the Forest Act. These are timbers manufactured for export that excced 0.20 m^2 in end area, and cants and slabs where wane allowance is exceeded.

The procedures that have been established for the granting of exemptions under Part 12 of the Act are specifically designed to deal with logs, but no procedures are in place to permit exemption for partially manufactured products that exceed minimum standards. The value added through partial manufacture is low compared to full manufacture, and we are concerned that current policies are not being adequately enforced. Specifically, we recommend that:

21. A study group should be appointed to determine the extent that minimal log manufacture is being carried on within the Province, whether adequate export inspections are being carried out in the field, and whether special exemption procedures should be formulated for partially manufactured products.

Criteria for Log Export

The Forest Act stipulates that logs may be exported if they are surplus to the needs of domestic mills, if they

cannot be processed economically where they are cut nor transported economically to a mill, or if export will avoid the waste or improve the utilization of timber. We will address the administration of each of these criteria in turn.

Log Surplus Criterion. Log surplus is by far the most frequently invoked criterion for log export, and it should continue to be available as a safety valve for excess inventories. We are satisfied that the general procedures for advertising logs for sale on domestic markets and the review of offers for the logs by LEAC work reasonably well for softwood species in normal circumstances.

However, the recent vigorous log export programs of a few large Coastal companies during depressed markets revealed a serious weakness in the system. There is nothing to prevent a prospective exporter from contriving a log surplus by intentionally producing logs that exceed his own and the log market's current requirements. The administrative procedures of LEAC and the Ministry should be modified so that exporters who set out to reap the financial rewards in export markets by deliberately contriving log surpluses will be denied permission to export.

The following recommendations should curb these practices:

22. To demonstrate log surplus, log export applicants should be required to advertise the logs for sale on the domestic market and LEAC should apply its current requirements in assessing offers. However, these procedures should be supplemented according to recommendations 23 to 26, to avoid contrived log surpluses.

23. Where the cumulative volume of logs exported under the log surplus criterion in any twelve consecutive months by an applicant for log export exceeds
    (a) 1 percent of the total volume the applicant has harvested in the Province from all Crown and private land (including early Crown-grants)

during the previous calendar year, or
(b) 10,000 m^3,
whichever is greater, the applicant should be invited to appear before LEAC to explain the reasons for the log surplus.

24. LEAC should not recommend that an exemption to export the logs be granted unless the applicant is able to satisfy LEAC that the log surplus could not reasonably have been avoided.

25. For administering this procedure, log export applicants should be required to disclose their log exports over the 12 month period and their total log production over the previous calendar year, in their initial applications on form FS 418. Where an export applicant is acting as an agent or broker for some other party who actually owns the logs, the applicant should be required to disclose the identity of the log owner and the relevant information about the owner's log exports and log production. The calculations in recommendation 23 should be carried out for the log owner instead of the applicant.

26. The Provincial Government should encourage the Federal Department of Industry, Trade and Commerce to adopt these procedures for log export applications that require only Federal approval, so that the same rules will apply regardless of the source of the logs.

Of all problems that have emerged recently in log export policy, we consider the "contrived surplus" issue to be the most serious. We stress that we are not recommending that current procedures for log exports below the 1% or 10,000 m^3 levels be relaxed in any way or that those levels are to be considered freely exportable. The recommendations are intended to place a heavier onus on applicants for log export above those rates. We consider that the 1% or 10,000 m^3 thresholds should provide the industry with the opportunity to export reasonable volumes for the purposes of disposing of genuine surpluses. The 10,000 m^3 alternative will apply largely to small market loggers and others whose annual cutting rates are relatively low.

We have become aware of other problems associated with the advertising and bidding procedures for log export. It has been proposed that the advertising and bidding system be supplemented by log inventory projections. Some independents contend that, while logs of a certain species and grade might be surplus when an advertisement is run, it can be predicted that they will be in short supply at some later date so exemption should be denied. We are unable to concur with this approach, because the cost to the Government of obtaining reliable current and projected log inventory information would exceed its value in assessing log export applications. Moreover, if a prospective domestic log buyer anticipates a future shortage, he can simply make an offer for the logs and carry the inventory himself.

Independent sawmill operators who depend on large integrated companies for their regular log supply have contended that they are reluctant to submit bids for logs to be exported by the integrated companies, out of fear of reprisals. They are concerned that the integrated companies will refuse to sell logs to them in future if they "block" the application by submitting an offer. We were not told of any instances where such intimidation actually occurred, so it is difficult to assess the seriousness of this problem.

On the other hand, log export applicants have complained that independent mills abuse the system by routinely "blocking" applications of certain species. When this happens, an applicant will frequently reject the offer and withdraw the log export application. He will hold the logs in inventory for use in his own mill at some later date, at considerable carrying cost. Moreover, in 1982 some integrated companies shut down or curtailed their own logging operations and "blocked" log export applications in an effort to obtain log supplies for their mills at low prices.

It can be expected that such complaints of abuse will

arise from time to time in conjunction with log export from the Province. While we have no specific recommendations to make on these points, we feel that LEAC can play a more active role in helping to resolve them in future. We recommend that:

27. Log export applicants and domestic log buyers should have the opportunity to meet with LEAC to present their grievances about log export applications and offers. LEAC should attempt to resolve such disputes.

"Uneconomic Wood" Criterion. Logs may be exported under the Forest Act where they "cannot be processed economically in the vicinity of the land from which (they are) cut, and cannot be transported economically to a processing facility located elsewhere in the Province". The counterpart to this provision under previous forest legislation was much narrower, being confined to timber adjacent to Provincial boundaries that, for topographical reasons, could not feasibly be manufactured in the Province.

The current provision includes such timber, but is capable of a broader interpretation. For example, it could include timber in remote areas of the Coast or low-valued species, such as hardwoods, in more accessible areas. This issue is further complicated by the dynamics of final product markets. Timber that is economical to harvest and deliver to mills during buoyant markets may be uneconomical when markets are depressed. As well, it might be economically feasible to harvest some species and grades of logs from a locality and deliver them to domestic markets, but not for others, even though a wide range of species and grades are produced in the same logging operation.

In some areas of the Province, particularly the North Coast, even in normal markets it is not economically feasible to harvest the full forest profile unless at least a portion of the production is exported to subsidize the remainder. In this

respect, the distinction between the "uneconomic wood" and the "avoidance of waste or improved utilization" criteria, discussed below, becomes blurred. Wood that is uneconomic might be left on the ground and wasted unless it is subsidized by log exports.

As we explained earlier in this Report, log exports have the potential for generating short term employment opportunities when mills are able to operate only at a loss. However, the Province faces shortages of high quality timber in the future, as the best and most accessible old growth timber is harvested and as the industry moves on to more remote old growth and lower quality second growth timber. Concern has been expressed that the short term employment and related benefits to be gained from export logging in depressed markets, or in strong markets from remote or high cost areas, will be insufficient to offset the future lost employment opportunities in milling. According to this view, the Government should ignore the short term benefits and save the timber for logging and milling at some future date when the economic climate is more favourable.

In our opinion the Government should exercise caution in allowing the export of logs for economic reasons. Use of the "surplus" criterion, with the tightened administration we have recommended, should serve as a valuable safety valve for logs that are in genuine surplus. Similarly, the "avoidance of waste or improved utilization" criterion, addressed below, is available where access to attractive export markets is necessary to obtain sufficient value from timber to enable it to be harvested before it is lost or to improve utilization.

Nevertheless, it is conceivable that under severe economic circumstances the public interest will require the export of sound logs even though timber is in no imminent danger of being lost or where prevailing utilization standards are readily met. A host of small remote communities,

particularly on the Coast, are heavily dependent on the logging sector of the forest industry. The Queen Charlotte Islands and such towns as Bella Coola, Port MacNeil, Ucluelet and Tofino, Tahsis, Port Alberni, Campbell River, Squamish and towns in the North West can rely on little else besides logging for economic survival when the mills are closed. The only other significant source of employment for most of these communities is the highly seasonal and increasingly unstable fishing industry. Under extreme circumstances, logging for the export market might be the only means for staving off the collapse of these communities.

Accordingly we make the following recommendations:

28. When prolonged depressed final product markets cannot carry the costs of logging operations near isolated communities that are heavily dependent on logging as a source of employment, the Government should permit log exports as a means for preventing serious economic hardship to the communities.

29. The decision whether or not to permit such log exports should not be referred to or made by LEAC, but by a special Government ad hoc task force reporting to the Provincial Cabinet or a Cabinet Committee.

30. Log exports under these circumstances should focus on the survival of the communities, not on the financial circumstances of individual forest products companies. The task force should examine the condition of the local economies individually, to identify those that are in most urgent need.

31. The volumes of timber approved for export should be sufficient to sustain employment at basic levels, to ensure the continued survival of the communities. An aggregate export volume should be determined for a Forest District, and eligibility to export the aggregate volume should be prorated among holders of Crown forest tenures according to their allowable annual cuts in the District.

32. Permits to export under these circumstances should have terms of no longer than a year, and the task force should monitor the local economic conditions to

ensure that the export program is discontinued when it is no longer needed.

We stress that these procedures should be adopted only under severe economic circumstances and on a limited scale. LEAC is not suitable for advising the Government on issues that involve broader questions of the public interest and socio-economic considerations. Selectively applied and carefully monitored, log exports have the potential for providing valuable support to local economies in extreme circumstances.

Beyond that, the "uneconomic wood" criteria should be used in its traditional role. We recommend that:

33. The "uneconomic wood" criterion for log export should continue to be available for timber adjacent to Provincial boundaries that cannot feasibly be transported to domestic mills.

"Avoidance of Waste or Improved Utilization" Criterion. The third criterion under the Forest Act that may justify log export is the avoidance of waste or improvement of timber utilization. As we pointed out previously in this Report, this overlaps in part with the "uneconomic wood" standard, insofar as feasible utilization is closely linked to the economics of harvesting and marketing.

This criterion has been applied in the Interior on a limited scale to diseased and infested timber that has faced serious deterioration. On the North Coast, it has been used for blanket approval of cottonwood exports and in respect of a remote helicopter logging operation near Prince Rupert.

The export market can serve as a valuable outlet for infested and diseased timber, particularly when accelerated harvesting is required to curb the spread of an infestation and to minimize the waste of timber. As well, thousands of

hectares in the Province are covered by low valued hardwoods, such as cottonwood, alder and aspen, for which there are only limited domestic markets. Delays in harvesting these species postpone their replacement by new higher valued softwood crops. Similar considerations apply to remote decadent softwood stands on the North Coast, where the timber is naturally declining in quantity and quality, and establishment of a new forest crop is delayed. For some of these stands, their remote location, high operating costs and generally low wood quality make them unattractive sources of supply for domestic mills even in normal markets. To encourage removal of these stands, the export market is an attractive alternative.

With these considerations in mind, we make the following recommendations:

34. The "avoidance of waste or improved utilization" criterion should continue to be available to permit log export under appropriate circumstances.

35. In remote areas of the Province where transportation and sale to domestic mills would render harvesting uneconomic, exemption of manufacture in the Province of diseased or infested timber, hardwoods, or decadent timber should be granted without advertising and without the need for the applicant to satisfy the "surplus" criterion. Such applications should not be referred to LEAC with respect to surplus, but if the Ministry of Forests is doubtful about the economics of the proposed harvesting operation it should refer that question to LEAC for its assessment. If LEAC determines that the logs could be harvested economically for domestic mills, the application should be advertised under recommendation 36 below.

36. If all or some species and grades of such timber can be harvested economically for domestic mills, the log export applicant should be required to advertise these logs for sale and satisfy the "surplus" criterion. Applications on which offers are made should be referred to LEAC in the normal manner.

Through these means the Ministry of Forests will have

primary responsibility for assessing the need in the field for removing low value timber for over-riding silvicultural and other reasons. Domestic mills would have the opportunity to acquire logs that could be produced and delivered to them at a profit. For the rest, referral to LEAC and satisfaction of the "surplus" criterion is unnecessary and cumbersome, but LEAC would be available to assist the Ministry to assess the costs and domestic market opportunities of proposed applications.

In the following section we make recommendations concerning exemptions that are available for use in conjunction with each of three criteria.

Forms of Exemption

Exemptions from manufacture in the Province may be issued by the Minister for up to 15,000 m^3 of harvested logs. The Lieutenant Governor in Council may grant "blanket" exemptions for a timber species generally. In addition, the Lieutenant Governor may exempt unlimited volumes of harvested or unharvested timber. Those covering unharvested timber are informally referred to as "standing green" exemptions.

Standing green exemptions are normally used in the Interior, where standing timber is commonly transacted between private parties and established log markets are lacking. On the Coast, standing green exemptions have been much more narrowly confined. Because timber is normally bought and sold as watered logs, it has been considered inappropriate to advertise standing timber for sale for the purpose of determining whether or not logs will be in surplus. According to this view, logs will not be truly in surplus until the timber is cut and in a form then suitable for milling.

We have concluded that standing green exemptions should not be available on the Coast where the "surplus" criterion must be met for log export, but in all other

instances they should be available. Earlier in this section we recommended that log exports should be permitted under extreme economic circumstances, or to avoid waste of timber or improve its utilization. In such cases, as long as log "surplus" is not a factor in the decision to grant export, there is no reason why standing green exemptions should not be issued. In fact, they would tend to enhance the value of the log export program, as exporters could plan their harvesting and shipping and produce logs to export specifications where required. In principle, where the Government has decided to permit export under these circumstances, the exporter should be permitted to take full advantage of the export opportunity.

Therefore, we recommend that:

37. Standing green export exemptions should be granted in the Interior, regardless of the criterion that is met to approve the export application. Exemptions for harvested logs should be available in the Interior as well.

38. On the Coast, standing green exemptions should not be issued where the log "surplus" criterion must be met, either by itself or in conjunction with the "prevention of waste or improved utilization" criterion.

39. Where either the "uneconomic wood" or "prevention of waste or improved utilization" criterion alone is used on the Coast to support log export, standing green exemptions should be available.

40. Blanket exemptions should continue to be available for low value species in stands located in remote areas.

Hardwoods

Log export policies and procedures as they apply to hardwoods raise unique issues, so we will address them separately. Previously we have made recommendations about the three criteria for log export, which are intended to apply to

all species in the Province.

However, the application of the "surplus criterion" to hardwoods has given rise to a special problem. Domestic markets for hardwoods are confined largely to purchases of alder on the Coast for chipping and eventual sale to pulpmills in the United States North West. Very little hardwood lumber or veneer is produced in the Province, although a well established hardwood sawmill industry in Washington State offers attractive prices for B.C. alder sawlogs during buoyant markets.

Apparently, applications for alder sawlog exports are often "blocked" by domestic hardwood chipping operations whose offers are far lower than export prices and often fail to cover logging and transportation costs. LEAC has difficulty in assessing the fairness of these offers, because of the absence of a reliable domestic alder sawlog market.

Thousands of hectares on the Coast are covered with this low value species, much of it on highly productive and accessible sites. The Province should encourage its removal, to hasten its replacement by higher valued softwood species. If exports of the more valuable sawlog component of these stands are unreasonably restricted, alder production from many areas will cease altogether, causing delays in its removal and replacement.

We therefore make the following recommendations about hardwood exports:

41. Where the log surplus criterion is to be met for the export of hardwood logs and an offer for the logs is made by a mill that is not located in the vicinity of the nearest available log dump or booming area where the logs are produced, LEAC should recommend that exemption be granted unless the offer is equal to at least the total of
    (a) the going rate then paid by the mill for hardwood logs produced in the vicinity of the

mill, and

(b) the cost of delivering the logs to the mill from such log dump or booming ground.

However, if this total is less than LEAC's estimate of the applicant's logging and delivery costs, including a reasonable profit, LEAC nevertheless should recommend that exemption be granted. As well, in assessing the reasonableness of the offer, LEAC should consider the log specifications for the prices offered by the mill in relation to the log specifications stipulated in the export market.

42. The procedures recommended in 41 should apply to applications for both harvested and standing green exemptions for hardwood export, where the log surplus criterion is to be met.

Our recommendations are intended to provide an incentive for hardwood production, while offering reasonable protection to domestic mills.

Fee in Lieu of Manufacture

Under current Ministry of Forests policy, a fee in lieu of manufacture in the Province is charged with respect to all log exports that require Provincial approval. For the major species and grades on the Coast, the fee is equal to 30 percent of the difference between domestic log prices and logging costs. Flat rates apply Province-wide for shake blocks and firewood. In the Interior, flat rates of $\$3.50/m^3$ is charged for sawlogs and $\$.70/m^3$ for pulplogs and salvaged timber.

We propose no changes to rates applicable to shake blocks and firewood. The volumes represented by these forest products are minor, and flat rates are administratively convenient.

The methods used for all other logs in the Interior and on the Coast, however, are in need of revision. In the Interior the flat rates are not responsive to changes in prices and costs and, for marginal export operations, could effectively

prohibit log exports even when they would be in the public interest. On the other hand, during buoyant export markets, these rates could leave windfall gains in the hands of exporters.

The system used on the Coast tends to be responsive to changes in costs and log prices, but it is fundamentally illogical. Because the 30 percent fraction is applied to the difference between domestic log prices and costs, it encourages the export of high quality logs because the price premium obtained for them on the export market tends to be highest. Exporters of these logs realize a windfall gain and a disproportionately low fraction of log values is realized by the Crown.

The fee in lieu of manufacture should be aimed at three objectives. First, it should be based on the difference between export prices and domestic costs, to avoid the kind of biases referred to above. Second, it should be responsive to changes in prices and costs, so as to reasonably reflect market conditions at the time of export. Third, it should be designed to return a significant fraction of the export premium to the Crown, while compensating the exporter for additional operating and administrative costs incurred to prepare logs for export, and stumpage or royalty. Stumpage rates payable for Crown timber are based on lower domestic log values, and royalties applicable to timber cut from the Old Temporary Tenures no doubt are set with domestic manufacture in mind as well. As forest resource owner, the public should share in the extra benefits to be derived from the sale of public timber on foreign markets. Fourth, the same policy should apply Province-wide in the interests of fairness.

To serve these objectives, we make the following recommendations concerning the fee in lieu of manufacture:

43. The fee in lieu of manufacture should be calculated

as a percentage of the difference between average prices obtained from the export of logs from the Province (by species and grade) and average logging costs.

44. The export price used to calculate the fee in any month for a species and grade should be the average export price reported for the species and grade during the previous month. Reporting requirements are recommended below.

45. The average logging costs should be determined annually for each Forest Region and should apply during the following year with an appropriate adjustment to account for anticipated cost escalation in the following year.

46. The Ministry of Forests immediately should require all export applicants to report under oath the prices they receive for logs to be exported, on form FS 38, prior to final export approval.

47. After this information has been collected for six months, the Ministry should set an appropriate percentage for the fee after analysing the relationship between export log prices, domestic logging costs, average stumpage rates and the operating and administrative costs of preparing logs for export. We recommend that the fraction be set at 50 percent Province-wide, unless the Ministry's analysis discloses that 50 percent would be too high to compensate an exporter for these costs and stumpage, and leave a reasonable profit.

We are reluctant to make a conclusive recommendation about the appropriate percentage for the fee without reliable export price data. However, we are confident that it should be relatively simple for the Ministry to arrive at a fair allocation with that information in hand.

APPENDIX I

SPECIAL LOG EXPORT POLICY COMMITTEE TERMS OF REFERENCE

APPENDIX I

MARCH 30, 1983

TERMS OF REFERENCE FOR A REVIEW OF LEGISLATION, POLICIES AND PROCEDURES RELATIVE TO THE EXPORT OF UNMANUFACTURED LOGS FROM BRITISH COLUMBIA

To investigate and review matters pertaining to the export of unmanufactured logs and to report on:

1. the extent that the export from British Columbia of unmanufactured logs is affecting the log supply of the domestic manufacturing industry, the overseas markets of British Columbia manufactured timber products and the employment opportunities of British Columbians;

2. with respect to Manufacture in the Province, as legislated in Part 12 of the Forest Act, the effectiveness of existing policy in encouraging a vigorous, efficient and world competitive timber processing industry in the Province;

3. whether the procedures followed in the processing of applications for exemption to export unmanufactured logs ensure that the exemption conditions of Section 136 of the Forest Act are met; and

4. the terms of reference, structure and operation of the Log Export Advisory Committee.

APPENDIX II

LIST OF PARTICIPANTS AT COMMITTEE MEETINGS

APPENDIX II

LIST OF SUBMISSIONS TO SPECIAL LOG EXPORT POLICY COMMITTEE

	ORGANIZATION	TYPE OF SUBMISSION	
1.	Cariboo Lumber Manufacturers Association	Brief and Meeting	
2.	International Woodworkers of America	"	"
3.	Council of Forest Industries of British Columbia	"	"
4.	XUSA Forest Products Inc.	"	"
5.	B.C. Hardwood Manufacturers Association	"	"
6.	D.W. Smith and Associates Ltd.	"	"
7.	Coulson Prescott Logging Limited	"	"
8.	Doman Forest Products Limited	"	"
9.	MacMillan Bloedel Limited	"	"
10.	Mill & Timber Products Ltd.	"	"
11.	The B.C. Chamber of Commerce Forestry Committee	"	"
12.	Sayward Timber Ltd. & Tsolum Log Sales Ltd.	"	"
13.	Weldwood of Canada Limited	"	"
14.	Waldun Forest Products Limited	"	"
15.	Eacom Timber Sales Ltd.	"	"
16.	Gregory Industries Limited	"	"
17.	Pacific Coast Log Exporters Association	"	"
18.	Jackson Brothers Logging Co. Ltd.	"	
19.	Pulp, Paper & Woodworkers of Canada	"	
20.	White Logs Limited	"	
21.	Don MacKenzie (the Truck Loggers Association)	"	
22.	Council of Forest Industries Northern Interior, Lumber Sector	"	
23.	Silver Grizzly Timber Company Ltd.	"	"
24.	Metropolitan Trading Division of Catre Industries Ltd.	"	"
25.	Edwards & Associates Logging Ltd.	"	"
26.	Independent Squamish Logging Operations Ltd.	"	"
27.	Goodwin Johnson Ltd.	"	"
28.	Boyle & Dean Logging Ltd.	"	
29.	Pacific Forest Products Ltd.	"	"
30.	Canadian Paperworkers Union CLC	"	"
31.	Coastal Independent Sawmills & Delta Cedar Products Ltd.	"	"
32.	North West Loggers Association	"	
33.	Atco Lumber Limited	"	
34.	Seabord Lumber Sales Company Limited	"	
35.	Interior Lumber Manufacturers' Association	"	
36.	British Columbia Independent Logging Association	"	
37.	Nova Lumber Co. Ltd.	"	

APPENDIX III

LOG EXPORT EXTRACTS FROM FOREST ACT

FOREST ACT

[Amendment to s. 156 proclaimed effective September 7, 1982]

CHAPTER 140

[Consolidated July 12, 1982.]

[Act administered by the Ministry of Forests]

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PART 1

Interpretation

1. In this Act

"allowable annual cut" means a rate of timber harvesting specified for an area of land;

"burning permit" means a burning permit issued under section 113;

"chief forester" means the chief forester appointed under the *Ministry of Forests Act;*

"control of a corporation" means beneficial ownership of more than 50% of its issued capital, having full voting rights in all circumstances, by

(a) one person; or

(b) a group of persons not dealing with each other at arm's length;

"Crown" means Her Majesty in right of the Province;

"Crown land" has the same meaning as in the *Land Act*, but does not include land owned by an agent of the Crown;

"Crown timber" means timber on Crown land, or timber reserved to the Crown;

"cutting permit" means a cutting permit issued under an agreement entered into under this or the former Act;

"district manager" means a district manager appointed for a forest district under the *Ministry of Forests Act*;

"farm woodlot licence" means a farm woodlot licence issued under the former Act;

"firmwood reject" means "firmwood reject" as defined by regulation;

"forest land" means land classified as forest land under section 4;

"forest licence" means a forest licence entered into under Part 3, Division (2);

"forest officer" means a person employed in the Ministry of Forests who is designated by name or title to be a forest officer by the minister, the chief forester or a regional manager;

"forest region" means a forest region established by regulation;

"forest service road" means a road that is not a public highway under the *Highway Act* and

(a) is built, maintained or modified by the minister under section 102;

(b) is or becomes a forest service road under section 95 (1) (b) or (c) or (2) (b); or

(c) was, under the former Act, built or maintained by the minister, or declared a forest service road;

"former Act" means the *Ministry of Forests Act* repealed by this Act;

"free use permit" means a free use permit entered into under Part 3, Division (8), or under the former Act;

"licence to cut" means a licence to cut entered into under Part 3, Division (8), or under the former Act;

"management and working plan" means a management and working plan approved under a tree farm licence, forest licence, timber sale licence or woodlot licence;

"merchantable timber" means, for an old temporary tenure or a timber licence, trees that

(a) on January 1, 1975 were older than 75 years; and

(b) are on an area of Crown land in quantities determined by the regional manager to be sufficient to be commercially valuable at the time when a timber cruise submitted under section 57 is made;

"old temporary tenure" means a special timber licence, timber lease, pulp licence, pulp lease or timber berth;

"Peace River Block" means that rectangular block of land in the Peace River Land District of British Columbia with corners having these geographical values:

northeast corner, latitude 56°40′57.95″, longitude 119°59′59.25″;
southeast corner, latitude 55°38′09.04″, longitude 119°59′59.76″;
southwest corner, latitude 55°37′15.75″, longitude 121°56′02.45″;
northwest corner, latitude 56°40′01.66″, longitude 121°59′13.18″;

"private land" means land that is not Crown land;

"private tenure" means a timber licence, old temporary tenure, or private land, in a tree farm licence area;

"Provincial forest" means forest land designated under section 5;

"public sustained yield unit" means Crown land designated as a public sustained yield unit under section 6;
"pulp lease" means a pulp lease renewed under the former Act;
"pulp licence" means a pulp licence renewed under the former Act;
"pulpwood agreement" means a pulpwood agreement entered into under Part 3, Division (6);
"pulpwood area" means an area designated or continued under section 34;
"pulpwood harvesting area agreement" means an agreement entered into under the former Act under which an option was granted to purchase pulpwood on an area of Crown land designated under the former Act as a pulpwood harvesting area;
"regional manager" means a regional manager appointed for a forest region under the *Ministry of Forests Act*;
"road permit" means a road permit granted under Part 8;
"salvaged logs" means salvaged logs as defined by regulation;
"special forest products" means poles, posts, pilings, shakes, shingle bolts, Christmas trees and other similar forest products designated by regulation as special forest products;
"special timber licence" means a special timber licence renewed under the former Act;
"timber" means trees, whether standing, fallen, living, dead, limbed, bucked or peeled;
"timber berth" means a licence to cut timber in the Province given in furtherance of the agreement made February 20, 1930, between Canada and the Province;
"timber lease" means a timber lease renewed under the former Act;
"timber licence" means a timber licence entered into under Part 3, Division (4);
"timber processing facility" means a facility that processes timber or wood residue or both;
"timber sale harvesting licence" means a timber sale harvesting licence entered into under the former Act;
"timber sale licence" means a timber sale licence entered into under Part 3, Division (3), or a timber sale licence entered into under the former Act;
"timber supply area" means land designated as a timber supply area under section 6;
"tree farm licence" means a tree farm licence entered into under Part 3, Division (5), or under the former Act, and includes a forest management licence entered into before January 1, 1958;
"tree farm licence area" means the area of land subject to a tree farm licence;
"wood residue" means wood chips, slabs, edgings, sawdust, shavings and hog fuel;
"woodlot licence" means a woodlot licence entered into under Part 3, Division (7);
"woodlot licence area" means the area of land subject to a woodlot licence.

1978-23-1; 1979-11-1; 1980-12-1; 1981-20-27; proclaimed effective July 16, 1981

PART 12

Crown timber to be used in Province

135. Unless exempted under this Part, timber that is harvested from Crown land, from land granted by the Crown after March 12, 1906 or from land granted by the Crown on or before March 12, 1906 in a tree farm licence area, and wood residue produced from the timber, shall be

(a) used in the Province; or

(b) manufactured in the Province into

(i) lumber;

(ii) sawn wood products, other than lumber, manufactured to an extent required by the minister;

(iii) shingles or fully manufactured shakes;

(iv) veneer, plywood or other wood-based panel products;

(v) pulp, newsprint or paper;

(vi) peeled poles and piles having top diameters less than 28 cm and fence posts;

(vii) Christmas trees; or

(viii) sticks and timbers having diameters less than 15 cm, ties and mining timbers.

1978-23-135.

Exemptions

136. (1) The Lieutenant Governor in Council may exempt from section 135

(a) a species of timber or kind of wood residue and may limit the volume of a species of timber or kind of wood residue to which the exemption applies for a period or for successive periods of time; and

(b) a volume of timber, whether or not harvested, or a volume of a wood residue, on receiving an application in a form required by the minister.

(2) On receiving an application in the form required by him, the minister may exempt from section 135 a volume of timber that has been harvested, not exceeding 15 000 m^3 for each application.

(3) An exemption shall not be given under this section unless the Lieutenant Governor in Council or the minister, as the case may be, is satisfied that

(a) the timber or wood residue will be surplus to requirements of timber processing facilities in the Province;

(b) the timber or wood residue cannot be processed economically in the vicinity of the land from which it is cut or produced, and cannot be transported economically to a processing facility located elsewhere in the Province; or

(c) the exemption would prevent the waste of or improve the utilization of timber cut from Crown land.

1978-23-136.

Exemption conditions and permit

137. An exemption made under section 136 may

(a) stipulate conditions to be met and fees to be paid to the Crown; and

(b) provide for the granting of a permit by the regional manager in respect of the timber or wood residue described in the exemption.

1978-23-137.

APPENDIX IV

TERMS OF REFERENCE OF LOG EXPORT ADVISORY COMMITTEE

APPENDIX IV

LOG EXPORT ADVISORY COMMITTEE

Terms of Reference

1.0 Constitution

An informal committee established by the Minister of Forests at his pleasure to report to the Deputy Minister of Forests on log export matters.

2.0 Membership

The Committee will consist of 17 appointed voting members or their alternates. Members will be nominated by industry from the organization or sector concerned, and appointment confirmed by the Deputy Minister. It is the responsibility of industry to ensure that all segments of industry concerned are adequately represented on the Committee.

Non-voting members and observers will attend meetings of the Committee, with names supplied to the chairman by the organization concerned. The Chairman will be the Vancouver Regional Manager or his designate. The recording secretary will be a staff member of the B.C. Forest Service, Vancouver.

A voting member may serve more than one term of 3 consecutive years if nominated for reappointment.

2.1 Voting Members

(i) Industry Sector

Logging
Lumber
Plywood
Pulp & Paper
Shake & Shingle
Member @ Large
* * *
* * *

(ii) Truck Loggers Assoc

(iii) Pacific Coast Log Export Assoc.

(iv) I.W.A.

(v) Northern Interior Lumber Sector

(vi) Interior Lumber Manufacturers Assoc

(vii) Cariboo Lumber Manufacturers Assoc

(viii) North West Loggers Association

(ix) B.C. Independent Loggers Assoc.

(x) Independent Sawmillers

2.2 Non Voting Members

B.C.F.S.-Victoria
" -Secretary
" -Chairman
" -Scaling Inspector

2.3 Observers

C.O.F.I.
Federal Dept. I.T.C.
Forintek Canada Corporation

3.0 Accountability

The Committee will report to the Deputy Minister of Forests.

4.0 Functions and Responsibilities

The Committee will review all submitted applications to export unmanufactured forest products (other than wood residue as defined in the Act).

The Committee will advise the Deputy Minister of their recommendations as recorded in the Minutes of each meeting, or from telephone canvass in urgent cases.

5.0 Meeting

Monthly meetings will be called for the first Tuesday after the third Friday of each month, or as called by the chairman. In urgent cases, the chairman may authorize and conduct a telephone canvass in an attempt to contact all members.

6.0 Quorum

To be comprised of not less than seven voting members or their alternates, the chairman, and one other Forest Service member.

7.0 Minutes

To be circulated to all members, observers, and other designated persons.

1983-02-08

APPENDIX V

LOG EXPORT PROCEDURES

APPENDIX V(a) - Log Export Administration - Regional Procedures

APPENDIX V(b) - Diagram of Log Export Procedures

APPENDIX V(c) - Log Export Forms

APPENDIX V(a)

LOG EXPORT ADMINISTRATION - REGIONAL PROCEDURES

Step 1 - Export timber is harvested and sorted in a 90% species and end use sort, scaled, then boomed, bundled or decked. Minimum volume 2800 M^3 in remote areas.

Standing green applications require logging cost data, letter explaining why export requested, and district recommendations, before advertising permission granted.

Step 2 - Applicant applies to the Export Department for permission to advertise. To obtain an application number a completed F.S. 418 (Application for Exemption Unmanufactured Timber Products) must be submitted with a letter identifying all booms involved, number of pieces, volume and location. Proof of scale must be supplied (S&R account or scale performed by a Forest Service scaler or a licensed scaler). If the applicant is not the owner of the timber, a letter of authorization is required from the owner. Each application is reviewed to ensure all criteria for export are met. On applications of low-grade timber, an inspection by scaling staff is carried out before an application number is assigned.

Step 3 - The application number is telephoned to applicant and the F.S. 418 returned to them by mail.

Step 4 - 14 days from the date after the day the advertisement appears in the paper, the F.S. 418 may be returned to the Forest Service with newspaper tear sheets and offers attached (if any).

Step 5 - The completed application is then retained in Vancouver Region Export Office for presentation to the next Log Export Advisory Committee.

Step 6 - Preparation of Agenda for LEAC

(a) Applications are sorted into Regions, starting with Vancouver.

REGULAR - (those with S&R's attached)
RE-APPS - (Original exemption has expired and a further 60 days is requested)
STANDING GREEN
INDUSTRIAL - (Proof of scale only supplied)

(Offers, if any, are included with the applicable group.)

(b) Prince Rupert Region (same as above)
Prince George (" ")
Williams Lake (" ")
Kamloops (" ")
Nelson (" ")

Applications for the four Interior regions are for decked logs or for Standing Green and arrive with the necessary back-up material, (copies of F.S. 418, newspaper advertisements, offers if any, logging cost data and pertinent correspondence)

(c) Orders-in-Council and Exemptions from Victoria are listed, covering the previous period between meetings.

(d) Log stock figures are supplied by Industry and Forest Service Scaling Dispatch, forwarded to Scaling Section for conversion to Metric, then to Export Section for typing. Quarterly figures accompany agendas for March, June, September and December. These figures are supplied by the Forest Districts, 9 in the Vancouver Region.

(e) Monthly report of Log Export is compiled from figures shown on F.S. 38, (application for permit to export) broken down by species, grade, and volume. Each exporting region supplies this report.

(d & e are delivered to Council of Forest Industries on the day of Log Export Advisory Committee meeting for their statistical records).

Step 7 - Log Export Advisory Committee Meeting

These meetings are held on the Tuesday after the 3rd Friday of each month at 1330 hours in Vancouver. Members are contacted on the Friday or Monday before the meeting to determine expected attendance.

(a) The completed agendas and any other material to be discussed are distributed.

(b) Meeting called to order:

(i) Minutes of last meeting approved
(ii) Business Arising
(iii) If disallowance letters are received from the Minister the Committee are so advised
(iv) Review of applications on the agenda, recommendations are recorded
(v) New Business
(vi) Meeting adjourned

Step 8 - Minutes are prepared by the Export Department during the week of the meeting, and mailed out to all Committee members, Deputy Minister, Regions whose applications have been presented, and Presidents of Cariboo Lumber Manufacturers Association and Interior Lumber Manufacturers Association.

Step 9 - All Industrial Scale applications are held in the Vancouver Region Export office until applicant provides the required S&R account. These applications are held for a 60 day period and the applicant is then advised to withdraw or re-advertise. When the S&R account is produced the application is immediately forwarded to Victoria for drafting of exemption, Order-in-Council or disallowance letter.

Step 10 - Issuance of Exemptions and Orders-In-Council

(a) When an exemption has been signed by Minister or Deputy, the information is phoned to Regional Export Department from Valuation, Victoria. All Exemptions and Orders-in-Council are recorded in a ledger and on the applications. The applicant is advised by phone, and material is then considered cleared for export.

(b) Once an exemption has been granted on an application, a variety of situations may develop:

(1) The applicant may apply for a permit on the total volume exempted.

(2) Applicant may request export on one boom only (a portion of the application), the rest to follow. It could take a number of permits before all material is exported.

(3) Applicant may request "processing" on all or a portion of application. Processing may be approved for:

(i) Length sorting, trimming to length and re-sorting to specs required by purchaser.

(ii) On occasion - breakdown for Scribner scale only.

(iii) Decked material may require sorting up to 3 log types.

All processed material is inspected by Forest Service officers at each step. In cases where volume exported is different from that approved by exemption a new S&R account must be produced.

Step 11 - Issuance of Permit Documents (F.S. 38 & 34) and Inspections

The F.S. 38 (Application for Permit to Export ...) is brought in to the Export Office along with the Industry, Trade & Commerce Permit. Application is matched (ie. all information on F.S. 38 corresponds to volume approved) and F.S. 34 is completed. Cross referencing indicated on Federal and Provincial documents and documents returned to applicant. The

applicant then goes to the Department of Industry, Trade & Commerce who complete bottom portion of their form, assign a number and return 3 copies to the applicant. With 3 copies of the Provincial and 3 copies of the Federal, the applicant proceeds to the Customs Broker who prepares the B13. All documents (F.S. 38, F.S. 34, Federal form & B13) are presented to the "Super-Cargo", the individual responsible for the loading of a ship. Logs cannot be loaded unless these documents are produced.

A Forest Service inspector will physically inspect the booms at shipside to ensure the correct booms are being loaded. This inspection is conducted each day during ship loading, usually twice.

Step 12 - Documentation required pursuant to issuance of Permit

All permits issued by Vancouver Region are held till month end. The breakdown by species, grade and piece count is then calculated for compilation of the Monthly Report of Log Export (F.S. 128) which is required by Timber Administration by the 10th of each month. Billing the fee in lieu of manufacture can now be produced on a F.S. 82 (Summary of Scale sheet) from the breakdown information. The billings are recorded in the "Daily Record of Tallies" (Scaling Section) and forwarded to Victoria for production of an S&R account. Total time involved, about two weeks.

When the billing S&R's are received from Victoria, they are returned to Export for checking and forwarding to applicant. A statement is then prepared for Timber Administration in Victoria, indicating the volume exported under Section 136 of The Forest Act for the month by species and the fee billed for each species.

A ledger is also maintained to record the volumes exported monthly by species, applicant and destination. This information is supplied to Council of Forest Industries for

their year end reports.

Log Export Administration Ministry of Forests, Forest Valuation Victoria

Following the monthly Log Export Advisory meeting (STEP 7) the M.O.F. Victoria office carries out the following procedures concurrently with Regional Procedures 8, 9 & 10:

(1) Receipt of Exemption applications after LEAC recommendations.

(2) Check individual Exemption applications (F.S. 418) against agenda information.

- Clarify with LEAC office or Region office if any discrepancies.
- Check information on F.S. 418 regarding timber origin ie. Timber Sales in good standing or Marks - owner/agent.
- Enter application into Exemption Control Ledger.

(3) Draft summary table by regions and applicants listing number of applications and re-applications with total harvested timber volumes in each species sort, based on official scale.

(4) Draft memorandum to Minister with pertinent comments of LEAC meeting, attaching table and advising on recommendations.

(5) Draft Ministerial exemptions for volumes under 15000.0 M^3 by applicants and applicable monthly fee schedule.

(6) Recommendations with draft exemptions forwarded through Valuation Branch to Assistant Deputy, to Deputy and/or Minister for consideration and approval.

(7) Approved Ministerial exemptions returned to Valuation Branch where Exemption number is assigned and expiry date calculated.

(8) Advise applicable regional offices of approved Ministerial exemptions. Applicants advised from Regional Office, or as directed.

(9) Exemption applications for harvested timber exceeding 15000.0 M^3 or for standing timber require special memorandum to Minister, giving necessary information and recommendations, and also a draft Order-in-Council.

(10) Prior to Ministerial review, draft Order-in-Council is forwarded to Attorney General's Department for confirmation of statutory authority of Order. When approved, draft Order forwarded to Deputy Minister and/or Minister for consideration and presentation to Cabinet.

(11) Subsequent to Cabinet approval, Lieutenant-Governor approval required before Order forwarded to Provincial Secretary for Order-in-Council numbering.

(12) Finalized Order forwarded to Forests Ministry, Valuation Branch, who advise Regional Offices of approved exemption information.

(13) Applications recommended for disallowance require memorandum to Minister and draft disallowance letter forwarded through Valuation Branch, Assistant Deputy Minister, to Deputy Minister and Minister for consideration.

(14) Signed disallowance letter returned to Valuation Branch for mailing, copies forwarded to Log Export Advisory Committee and applicable Regional offices.

(15) Rebuttal letters received in Victoria forwarded to Log Export Advisory Committee for further review and recommendations. Final recommendations forwarded to Victoria for any necessary further review of application, with memo and second draft letter forwarded to Minister, signed copies to Regions.

Timber Crown granted prior to March 12, 1906, otherwise referred to as Federal Material

The procedures for processing this material parallel Steps 1-4 for Crown Timber, and the application number is identified by the prefix "F".

Step 5 - The completed F.S. 418 with tear sheets confirming advertising are forwarded to Industry, Trade & Commerce. They, in turn, advise the applicant by letter the expiry date for the

material. Permit documentation parallels step 1. The Ministry of Forests carries out the administration of this process.

Step 5A - If an offer is received on Federal material, the application is retained for presentation to the next Federal Log Export Advisory Committee meeting. All standing green applications are also presented to this Committee.

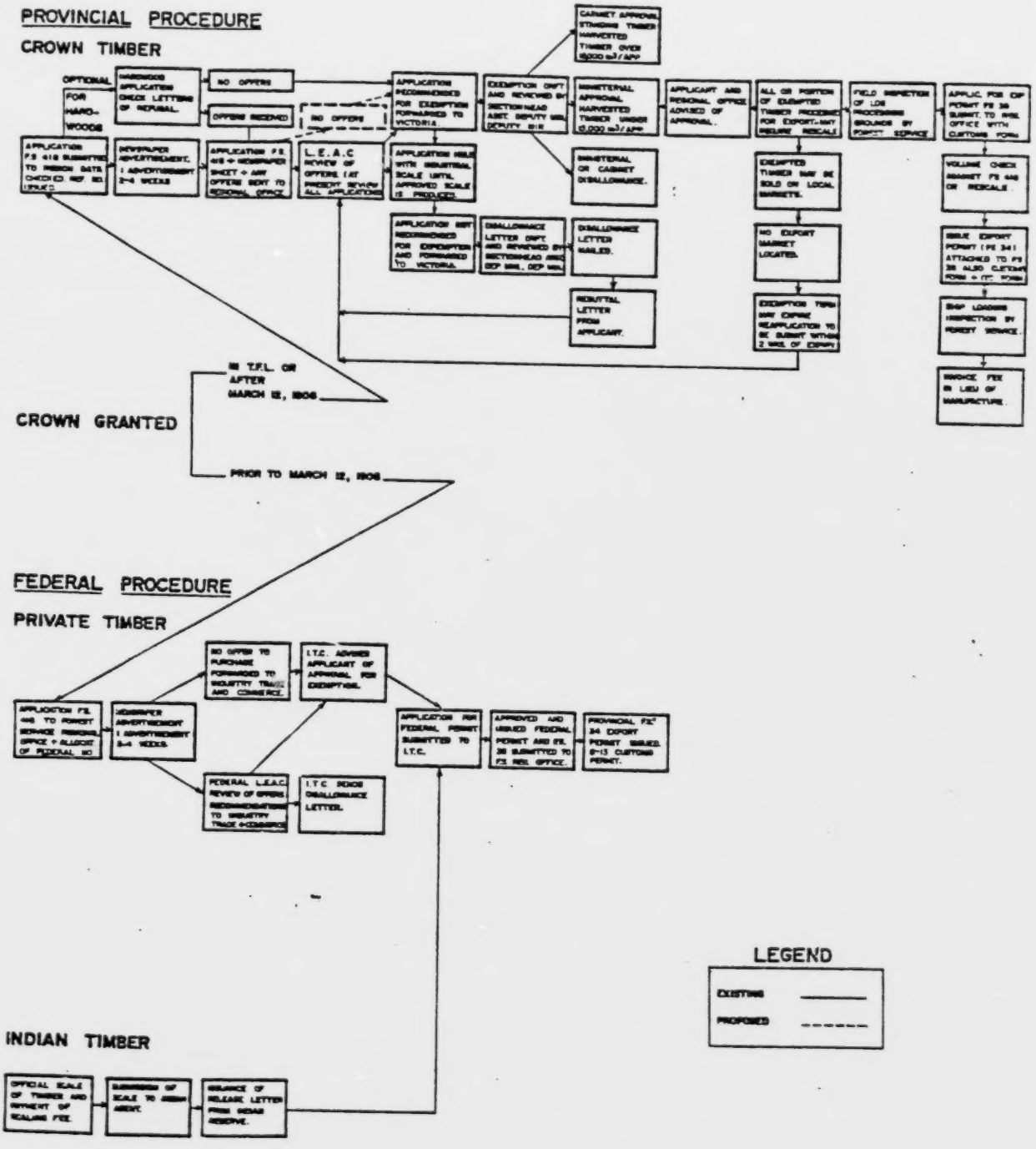
Minutes for this meeting (FLEAC) are also prepared by the Export Recording Secretary and forwarded to Industry, Trade & Commerce. Distribution of minutes parallels that of LEAC. Upon receipt of minutes, Industry, Trade & Commerce advises applicant of their decision on the application.

Timber Originating from Indian Reserves

The applicant is required to contact the Department of Indian Affairs in the area of origin of the timber. If this Department agrees with his proposal they will supply him with a letter authorizing the export of a specified volume of timber from the particular Reserve involved (I.R. mark indicated). The wood must be scaled, S&R produced, and Crown charges paid before the Permit documents will be issued Provincially or Federally.

LOG EXPORT PROCEDURE

APPENDIX V(b)


PROVINCIAL PROCEDURE
CROWN TIMBER
OPTIONAL FOR HARD-WOODS
HARDWOOD APPLICATION CHECK LETTERS OF REVISAL
NO OFFERS
OFFERS RECEIVED
NO OFFERS
APPLICATION FS 418 SUBMITTED TO REGION DATE CHECKED MAP NO. LEVIES
NEWSPAPER ADVERTISEMENT 1 ADVERTISEMENT 2-4 WEEKS
APPLICATION FS 418 + NEWSPAPER SHEET + ANY OFFERS SENT TO REGIONAL OFFICE
L.E.A.C REVIEW OF OFFERS (AT PRESENT REVIEW ALL APPLICATIONS)
APPLICATION RECOMMENDED FOR EXEMPTION FORWARDED TO VICTORIA
APPLICATION HELD WITH INDUSTRIAL SCALE UNTIL APPROVED SCALE IS PRODUCED
APPLICATION NOT RECOMMENDED FOR EXEMPTION AND FORWARDED TO VICTORIA
EXEMPTION DRFT AND REVIEWED BY SECTION HEAD ASST. DEPUTY MIN. DEPUTY MIN
DISALLOWANCE LETTER DRFT. AND REVIEWED BY SECTION HEAD ASST. DEPUTY MIN. DEPUTY MIN.
CABINET APPROVAL STANDING TIMBER HARVESTED TIMBER OVER 10,000 m3/APP
MINISTERIAL APPROVAL HARVESTED TIMBER UNDER 10,000 m3/APP
MINISTERIAL OR CABINET DISALLOWANCE.
DISALLOWANCE LETTER MAILED.
REBUTTAL LETTER FROM APPLICANT.
APPLICANT AND REGIONAL OFFICE ADVISED OF APPROVAL.
ALL OR PORTION OF EXEMPTED TIMBER PROCESSED FOR EXPORT-MAY REQUIRE RESCALE
EXEMPTED TIMBER MAY BE SOLD ON LOCAL MARKETS.
NO EXPORT MARKET LOCATED.
EXEMPTION TERM MAY EXPIRE REAPPLICATION TO BE SUBMIT WITHIN 2 MOS. OF EXPIRY
FIELD INSPECTION OF LOG PROCESSING GROUNDS BY FOREST SERVICE
APPLIC. FOR EXP PERMIT FS 38 SUBMIT TO REGIONAL OFFICE WITH CUSTOMS FORM
VOLUME CHECK AGAINST FS 448 OR RESCALE
SHIP LOADING INSPECTION BY FOREST SERVICE.
INVOICE FEE IN LIEU OF MANUFACTURE.
CROWN GRANTED
IN T.F.L. OR AFTER MARCH 12, 1906
PRIOR TO MARCH 12, 1906
FEDERAL PROCEDURE
PRIVATE TIMBER
APPLICATION FS 418 TO FOREST SERVICE REGIONAL OFFICE + ALLOCAT OF REGIONAL NO
NEWSPAPER ADVERTISEMENT 1 ADVERTISEMENT 2-4 WEEKS
NO OFFER TO PURCHASE FORWARDED TO INDUSTRY TRADE AND COMMERCE
I.T.C. ADVISES APPLICANT OF APPROVAL FOR EXEMPTION.
FEDERAL L.E.A.C. REVIEW OF OFFERS RECOMMENDATIONS TO INDUSTRY TRADE + COMMERCE
I.T.C. ISSUE DISALLOWANCE LETTER.
APPLICATION FOR FEDERAL PERMIT SUBMITTED TO I.T.C.
APPROVED AND ISSUED FEDERAL PERMIT AND FS. 38 SUBMITTED TO FS REG. OFFICE.
PROVINCIAL FS 34 EXPORT PERMIT ISSUED 9-13 CUSTOMS PERMIT.
INDIAN TIMBER
OFFICIAL SCALE OF TIMBER AND PAYMENT OF SCALING FEE.
SUBMISSION OF SCALE TO INDIAN AGENT.
ISSUANCE OF RELEASE LETTER FROM INDIAN RESERVE.
LEGEND
EXISTING
PROPOSED

APPENDIX V(c)

1.	Form F.S. 418	-	Application for Exemption to Export Unmanufactured Timber Products
2.	Form F.S. 38	-	Application for Permit to Export Unmanufactured Timber
3.	Form F.S. 34	-	Permit to Export Unmanufactured Timber (issued by Regional Manager's office only)
4.	Form F.S. 128	-	Logs Exported from British Columbia - (Monthly return from Forest Regions)
5.	Form F.S. 434	-	Exemption permit signed by Minister
6.	Order-in-Council		
7.	Form ITC	-	Federal Export Permit
8.	B. 13	-	Customs Declaration Form

Province of British Columbia

Ministry of Forests

Application for Exemption to Export Unmanufactured Timber Products

Under Part 12, Section 136, *Forest Act*

Application is hereby made for exemption from manufacture in the Province by

Check one:

Owner ☐

Agent ☐ (Attach letter designate from owner)

Name of Company or Person making application .....

Full Address .....

Name of Owner .....

Full Address .....

for the following described product:

(Check one per application)

- ☐ Harvested Timber
- ☐ Standing Timber
- ☐ Shake/Shingle Material
- ☐ Wood Chips
- ☐ Sawdust & Shavings
- ☐ Hog Fuel
- ☐ Other (specify) .....

Volume: m^3; tonne ..... Average

BDU: GPU ..... Log Vol. .....

Term: ..... days, ... months, ... years

or from ..... to .....

To: .....

Consignee and destination

TIMBER: Standing, Harvested, Special Forest Products, etc.

Species & End Use Sort: ..... Location: .....

List or attach S & R Accounts to substantiate volume of harvested timber.
Attach letter describing tenure and reasons for application on standing timber. See instruction on reverse

.....

.....

.....

OFFERS TO PURCHASE on timber advertised for sale (check one):

☐ No offers to purchase received

☐ Offers to purchase received and attached

WOOD RESIDUE: Chips, Sawdust, Hog Fuel, etc.

List producer/supplier mill(s), volumes, species; attach detailing letter outlining reasons for proposed export. See instruction on reverse

.....

.....

.....

Name (please print) ..... Signature .....

Date ..... Title .....

(For Timber Products only. Check one.)

☐ NEW APPLICATION

☐ RE-APPLICATION

OFFICE USE ONLY Region .....

Advertising Instruction—Newspaper(s) name and location:

.....

.....

REFERENCE NUMBER

FS 418 Val 81/4

Province of British Columbia Ministry of Forests

Application for Permit to Export Unmanufactured Timber

Permit No. _____

PLEASE USE TYPEWRITER

This document does not constitute a permit to export unmanufactured timber unless Form FS 34, bearing the same numbers as entered above, is affixed hereto.

Seq. No. _____ Dept. Use

TO REGIONAL MANAGER, _____ B.C. Dated: _____, 19 ____

APPLICATION IS HEREBY made for a permit to export the following described unmanufactured timber:

NAME & ADDRESS OF EXEMPTION HOLDER

DESTINATION NAME AND ADDRESS

NAME AND TYPE OF TRANSPORT

CUSTOMS PORT OF EXPORT

Scale and Royalty Invoice No.(s)	Raft, Boom or Parcel No.(s)	Marks on Timber and Section No.(s)	Application & Approved Exemption No.(s)	Number of Pieces	DESCRIPTION OF TIMBER	Scale Measurement m^3

Province of British Columbia

Ministry of Forests

ORIGINAL

Nº 6550

PERMIT TO EXPORT UNMANUFACTURED TIMBER PRODUCTS

Not valid unless affixed to Form FS 38

DATE OF ISSUE_____, 19__ DATE OF EXPIRY_____, 19__

TIME OF ISSUE_____ HOURS

NOTICE

This permit is good only until midnight of the above date of expiry, after which it becomes null and void. Any person exporting from the Province must be in possession of a permit before allowing logs or other unmanufactured forests products to be loaded aboard ship, towed into international waters or otherwise exported.

AUTHORIZATION IS GRANTED TO_____
(Exemption holder)

to export the product described on the attached Form FS 38, No._____

From_____
(Customs port of export)

To_____
(Consignee and destination)

by means of_____
(Type and name of carrier)

THIS IS TO CERTIFY all charges and fees where such are payable under the *Forest Act*, regulations and exemptions, have been paid on the unmanufactured timber product as per Scale and Royalty Accounts No(s). listed on the attached FS 38, No._____ and export is permitted under provisions of the *Forest Act*.

*(Signature)*_____

for Regional Manager, _____ B.C.

FS 34 VAL 79/10—20 Bks. (50)-881-6891 (2)

Province of British Columbia Ministry of Forests

LOGS EXPORTED FROM BRITISH COLUMBIA

Forest Region _____

Month of _____

	Fir	Cedar	Spruce	L'pole Pine	Hemlock	Balsam	White Pine	Yellow Pine	Cypress	Larch	Hardwood	Cottonwood	Others	TOTALS	Total to Date
EXPORTABLE															
GRADE 1															
GRADE 2															
GRADE 3															
A															
B															
C															
D															
E															
F															
G															
H															
I															
J															
K															
L															
M															
N															
O															
P															
Q															
R															
TOTALS															

SEC. 136 of FOREST ACT	Fir	Cedar	Spruce	L'pole Pine	Hemlock	Balsam	White Pine	Yellow Pine	Cypress	Larch	Hardwood	Cottonwood	Others	TOTALS	Total to Date
GRADE 1															
GRADE 2															
GRADE 3															
A															
B															
C															
D															
E															
F															
G															
H															
I															
J															
K															
L															
M															
N															
O															
P															
Q															
R															
TOTALS															

TOTAL m 3 EXPORTED

ATTENTION This report is to be completed monthly and forwarded to Timber Management, Victoria by the Regional Office from which logs were exported out of the Province.
A NIL REPORT MUST BE FORWARDED IF NO EXPORTS OCCURRED.

FB 126 TIM 67/1

Province of British Columbia

Ministry of Forests

Forest Service

EXEMPTION FOR TIMBER EXPORT

No. _____

Pursuant to Section 136(2) of the Forest Act, authority for export of unmanufactured timber products is hereby granted to

as detailed hereunder:

Application No.	Volume	Species Sort	Fee in lieu of manufacture

and under the following conditions:

1. The permit only applies to the timber detailed in Applications for Authority to Export as listed above.-
2. In addition to any other sums payable to the Crown, a fee in lieu of manufacture within the Province is payable per application as detailed above, prior to export.
3. Prior to export the necessary export permit is to be obtained from the Regional Manager.
4. Special Conditions -
5. Unless sooner terminated this exemption expires being days after this approval date.

Approved _____

_____
Minister of Forests

F.S. 434

BRITISH COLUMBIA

APPROVED AND ORDERED

_____

Lieutenant-Governor

EXECUTIVE COUNCIL CHAMBERS, VICTORIA

On the recommendation of the undersigned, the Lieutenant-Governor, by and with the advice and consent of the Executive Council, orders that

---

(This part is for administrative purposes and is not part of the Order.)

Authority under which Order is made:

Act and section _____

Other (specify) _____

Statutory authority checked by _____
(Signature and typed or printed name of Legal Officer)

External Affairs
Affaires extérieures

Ottawa, Canada
K1A 0G2

Special Trade Relations

Relations commerciales particulières

APPLICATION FOR PERMIT TO EXPORT GOODS

DEMANDE DE LICENCE POUR EXPORTER DES MARCHANDISES

Exporter (name, address, telephone) / *Exportateur (nom, adresse, téléphone)*	Applicant's reference no. / *N° de référence du requérant* — Date
Consignee at final destination (name, address) / *Destinataire à l'ultime destination (nom, adresse)*	
	Permit, if issued, to be sent to: / *Licence, s'il y a lieu, à envoyer à:* — Exporter ☐ *Exportateur* / Applicant ☐ *Requérant*
	Applicant is a Canadian resident: / *Le requérant est un résident canadien:* — Yes ☐ *Oui* / No ☐ *Non*
Applicant (if other than exporter) / *Requérant (si autre que l'exportateur)*	Canadian port where Customs entry form will be presented. / *Port canadien où sera présentée la formule douanière d'entrée.*
	Country of final destination / *Pays de destination finale* ▶
	Documentary evidence of final destination is attached / *Un document prouvant l'ultime destination est joint* — Yes ☐ *Oui* / No ☐ *Non*
The undersigned hereby certifies that all information given in this application is true and correct. / *Le soussigné certifie que tous les renseignements donnés dans cette formule de demande sont exacts.*	What percentage of the total value of the export are goods of U.S. origin within the meaning of item 9001 of the Export Control List? / *Quel pourcentage de la valeur totale des produits exportés représentent les biens provenant des États-Unis, au sens du numéro 9001 de la Liste des marchandises d'exportation contrôlée?*
Signature	_____ %

Country of Origin / *Pays de provenance*	ECL item No. / *LMEC article N°*	Description	Quantity / *Quantité*	Approx. Net Weight / *Poids net approx.*	Approx. Value / *Valeur approx. ($ Can.)*
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6

For Department Use Only — *À l'usage du ministère seulement*

PERMIT
1. The export of goods described above is permitted subject to all conditions prescribed herein or otherwise under the Export and Import Permits Act and any regulations made thereunder.
2. This permit is valid only for use of the applicant or indicated exporter.
3. Export Customs clearance must appear with this permit.

LICENCE
1. *L'exportation des marchandises décrites ci-dessus est autorisée sous réserve des conditions énoncées aux présentes conformément à la Loi et au règlement sur les licences d'exportation et d'importation.*
2. *Cette licence ne peut être utilisée que par le demandeur ou l'exportateur indiqué.*
3. *Les dédouanements d'exportation doivent être conformes à cette licence.*

Permit Number / *N° de la licence*

Date of issue / *Date d'émission*

for Secretary of State for External Affairs / *pour le Secrétaire d'État aux Affaires extérieures*

Checked by Collector of Customs against copy received for Department / *Vérifié par le Receveur de la douane avec l'exemplaire reçu du ministère*

Date Stamp of Port of Validation / *Timbre à date du bureau de validation*

Expiry Date / *Date d'expiration*

File Number / *Dossier n°*

EXT 1303-42.3 (82/07)

1 Departmental copy (Legal)/Copie du Ministère (juridique)

B 13 CANADA CUSTOMS EXPORT DECLARATION

SEE CUSTOMS MEMORANDUM D22-1 AND STATISTICS CANADA EXPORT COMMODITY CLASSIFICATION

1 EXPORTER

2 REPORT NO.

3 SHIPPER'S REF. NO.

4 PAGE OF PAGES

5 CONSIGNEE

6 STAMP OF CHIEF PORT

RE-EXPORTS – INDICATE COUNTRY OF ORIGIN INDIVIDUALLY IN LEFT HAND MARGIN

7 CTRY. OF FINAL DESTINATION

11 TERMS OF DELIVERY AND PAYMENT

12 IF FOREIGN GOODS IN SAME CONDITION AS IMPORTED, GIVE COUNTRY OF ORIGIN

8 LOCAL CARRIER

9 FROM (LOCAL POINT OF LADING)

10 EXPORTING CARRIER

13 MARKS AND NUMBERS	14 NUMBER AND TYPE OF PACKAGES: DESCRIPTION OF GOODS. GIVE SUFFICIENT DETAIL TO PERMIT CODING ACCORDING TO STATISTICS CANADA EXPORT COMMODITY CLASSIFICATION.	15 QUANTITY IN UNIT REQUIRED FOR EXPORT COMMODITY CLASSIFICATION	16 CURRENCY OF VALUE 17 SHIPPING WEIGHT

20 (IF APPLICABLE) ARE/WERE THE GOODS SUBJECT TO DRAWBACK ☐ IMPORTED ON 1/80TH BASIS ☐ IMPORTED UNDER LICENCE ☐

21 EXPORT PERMIT NO.

22 ESTIMATED FREIGHT CHARGES TO PORT OF EXIT $ ..... OR TO DESTINATION $ .....

25 IF GOODS NOT SOLD STATE REASON FOR EXPORT. (LOAN, REPAIR, PROCESSING ETC.)

23 MODE OF TRANSPORTATION FROM POINT OF EXIT
ROAD ☐ RAIL ☐ WATER ☐ AIR ☐ OTHER ☐

24 CONTAINERIZED YES ☐ NO ☐

I HEREBY CERTIFY THAT THE INFORMATION GIVEN ABOVE AND ON THE CONTINUATION SHEET(S), IF ANY, IS TRUE AND COMPLETE IN EVERY RESPECT

27 GIVE FIRM NAME AND ADDRESS IF DIFFERENT FROM EXPORTER BOX ABOVE .....

28 DATE .....

29 SIGNATURE

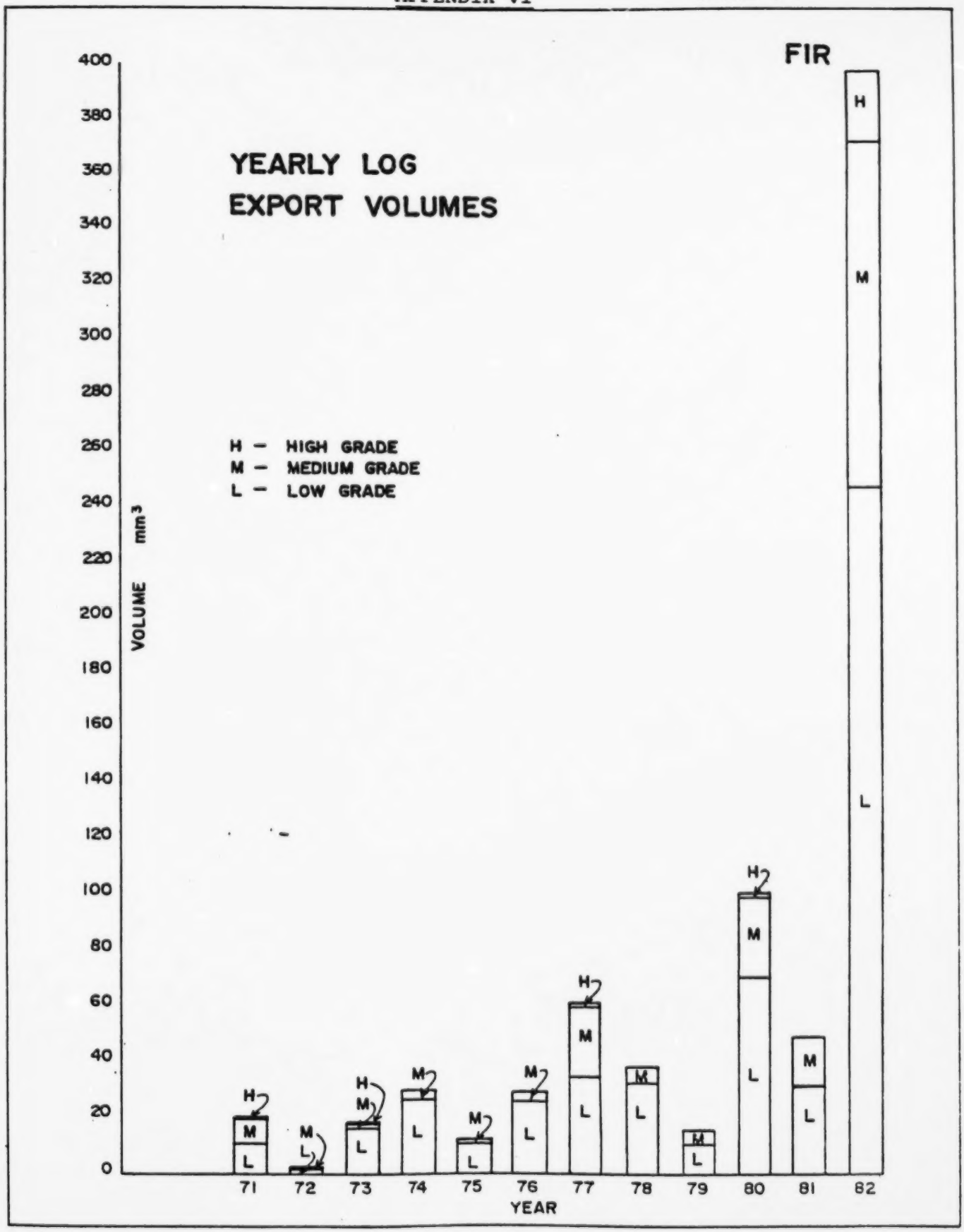
30 STATUS ☐ OWNER ☐ AGENT

26 RETURN ADDRESS

B 13
4/78

APPENDIX VI

LOG EXPORTS BY SPECIES AND GRADE - 1971 TO 1982


FIR
YEARLY LOG
EXPORT VOLUMES
H — HIGH GRADE
M — MEDIUM GRADE
L — LOW GRADE
VOLUME mm3
400
380
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0
71
72
73
74
75
76
77
78
79
80
81
82
YEAR

CEDAR

YEARLY LOG EXPORT VOLUMES

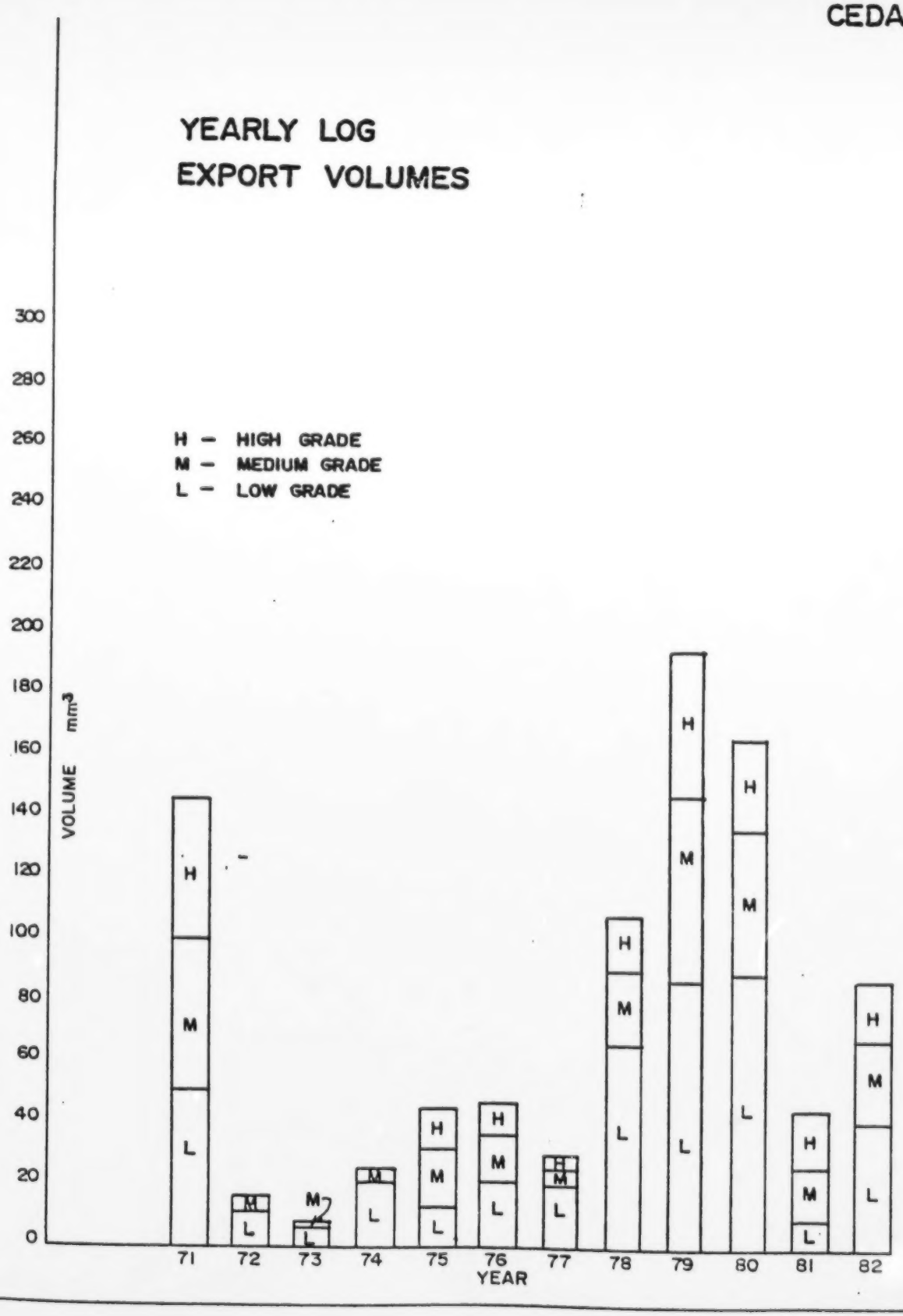


CHART 5

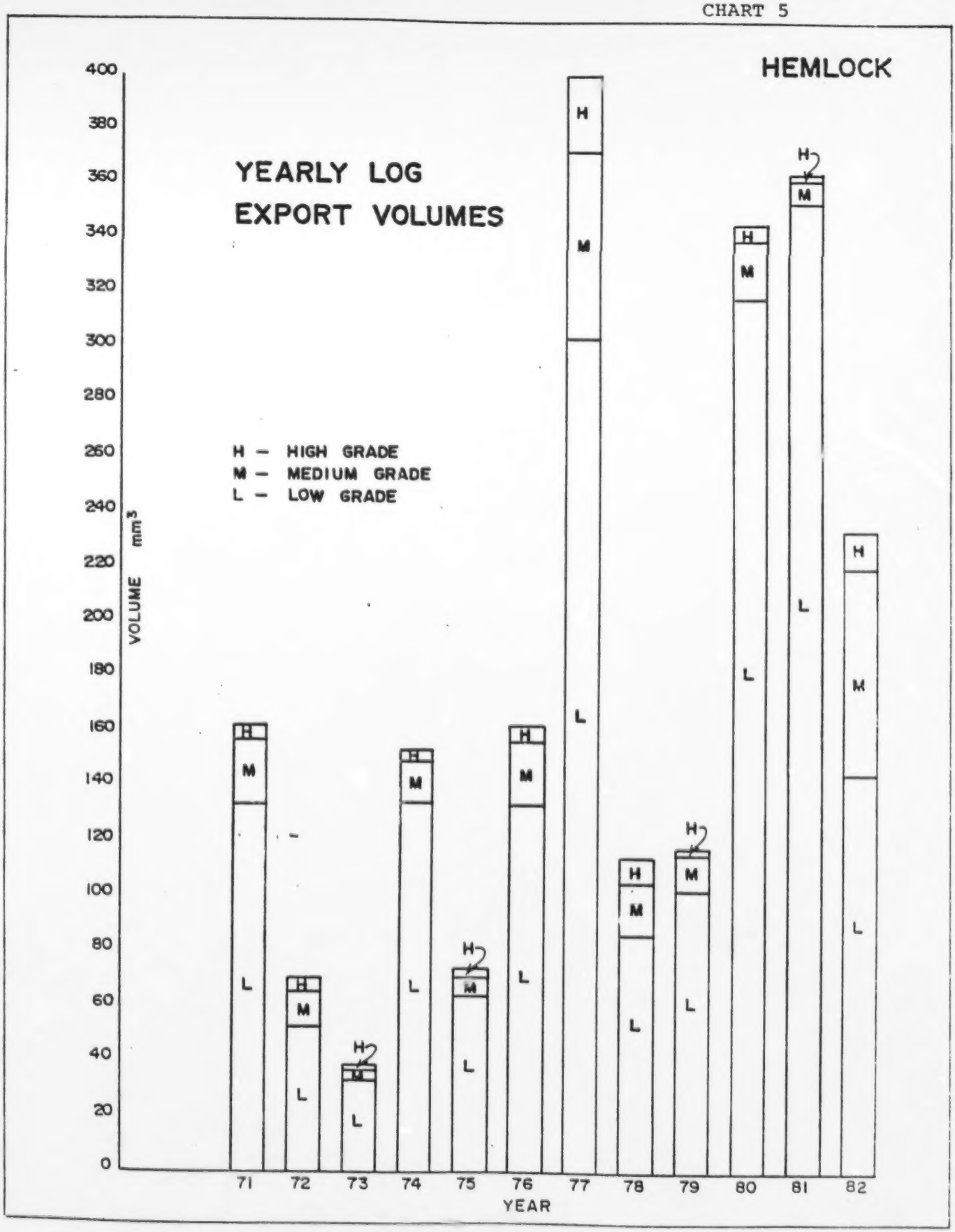
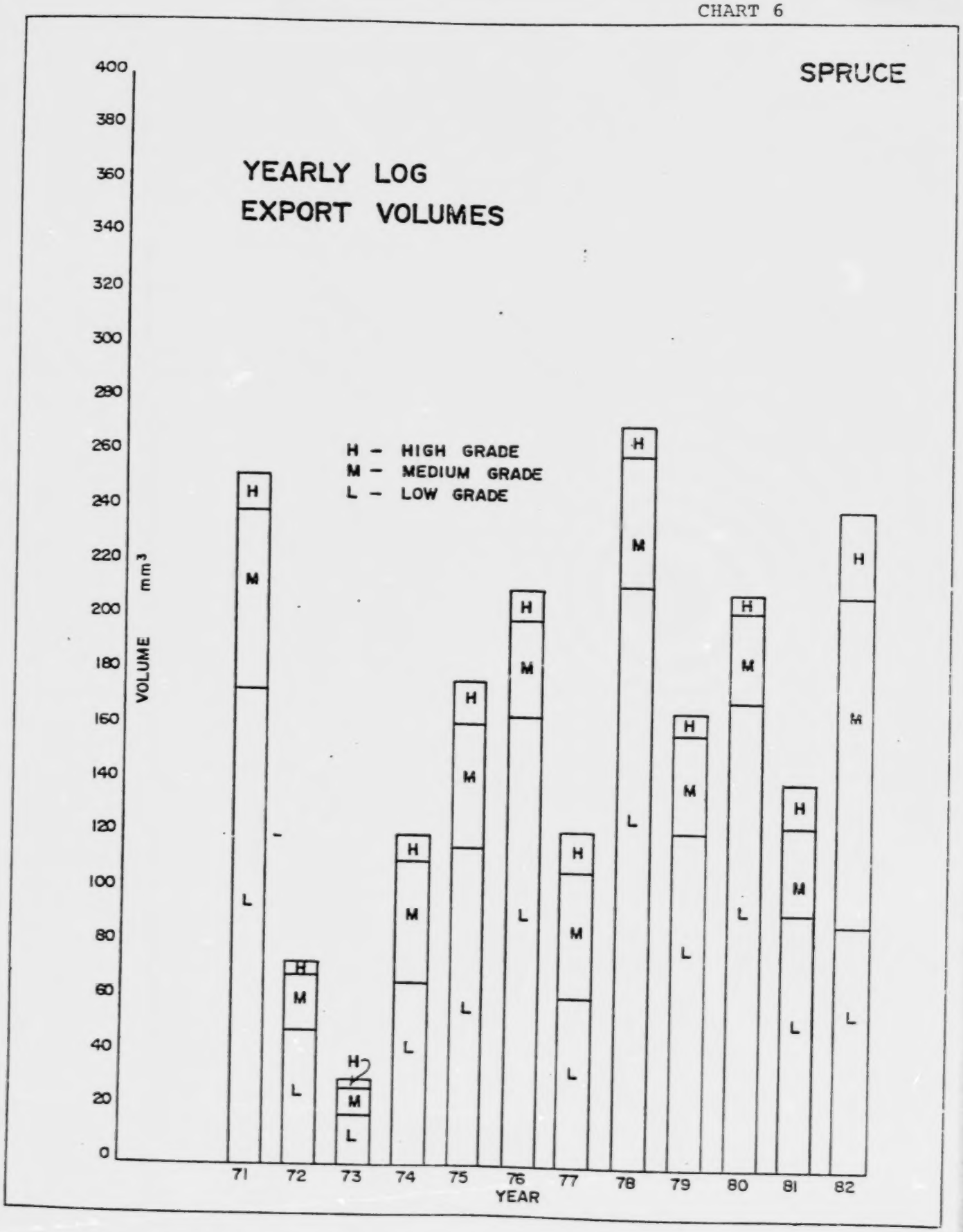
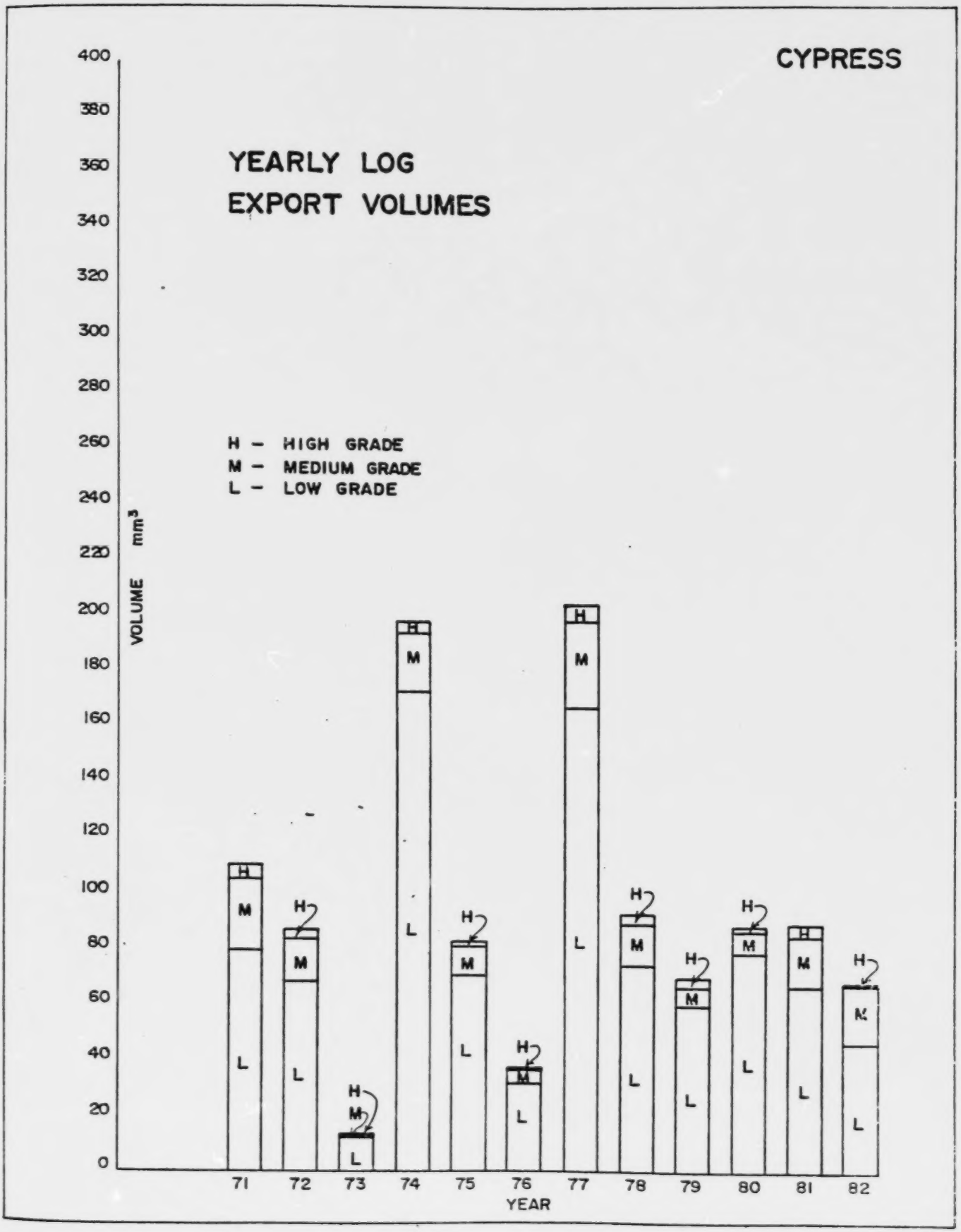

HEMLOCK
YEARLY LOG
EXPORT VOLUMES
H – HIGH GRADE
M – MEDIUM GRADE
L – LOW GRADE
VOLUME mm³
400
380
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0
71
72
73
74
75
76
77
78
79
80
81
82
YEAR

CHART 6


SPRUCE
YEARLY LOG
EXPORT VOLUMES
H – HIGH GRADE
M – MEDIUM GRADE
L – LOW GRADE
VOLUME mm³
400
380
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0
71
72
73
74
75
76
77
78
79
80
81
82
YEAR


CYPRESS
YEARLY LOG
EXPORT VOLUMES
H – HIGH GRADE
M – MEDIUM GRADE
L – LOW GRADE
VOLUME mm³
400
380
360
340
320
300
280
260
240
220
200
180
160
140
120
100
80
60
40
20
0
71
72
73
74
75
76
77
78
79
80
81
82
YEAR

POOR

QUALITY

ORIGINAL